

uMshwathi Municipality



ANNUAL REPORT

2008/2009 FINANCIAL YEAR

uMSHWATHI MUNICIPALITY ANNUAL REPORT 2008/2009

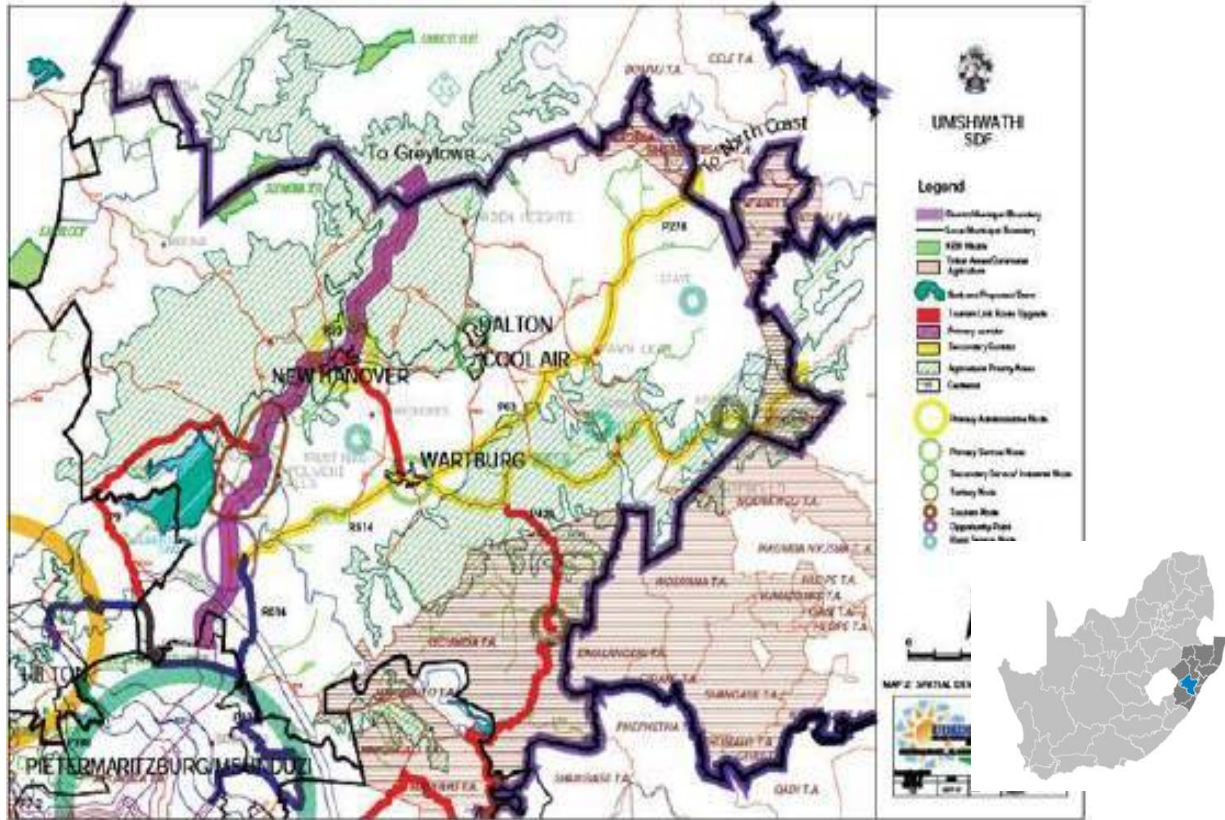


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LOCALITY MAP AND STATISTICS



	HOUSE HOLDS						
Wards	Formal	Informal	Traditional	Backyard	Other	Institution	Total
1	2,416	78	753	150	4	1,841	5,242
2	1,118	120	88	59	13	258	1,655
3	548	36	1,586	9	7	31	2,217
4	953	35	1,114	150	9	200	2,460
5	820	16	871	91	1	8	1,807
6	490	13	1,227	23	3	13	1,767
7	1,740	144	193	113	33	525	2,748
8	1,430	35	1,246	63	3	203	2,980
9	354	594	786	119	1	12	1,866
10	1,143	62	1,197	194	1	378	2,975
11	320	26	975	256	2	26	1,605
Total	11,331	1,159	10,036	1228	77	3,493	27,324

Chapter 1

Introduction And Overview

Submission and tabling of the Annual Report for the 2008/2009 financial year

This annual report has been prepared in terms of Chapter 12, section 127 of the Local Government Municipal Finance Management Act no. 56 of 2003, as amended, for submission and approval by the Council.

Legislative mandate

The primary legislative mandate of the municipality is determined by Chapter 7, section 151 (2) of the constitution of the Republic of South Africa, which states that:-

The municipality must strive within its administrative and financial capacity to meet its local government objectives of;

- ✚ Providing democratic and accountable government for local communities,
- ✚ Ensuring sustainable provision of services to communities,
- ✚ Promoting a safe and healthy environment and,
- ✚ Encouraging communities to become involved in local government matters.

The constitution also requires municipalities to structure and manage their administrations, budgeting and planning processes in such a manner as to;

- ✚ Prioritize the basic needs of the communities,
- ✚ Promote the social and economic development and
- ✚ Participate in national and provincial development programmes.

These constitutional mandates are also re-enforced by section 73 (1) of the Local Government: Municipal Systems Act no. 117 of 1998, as amended.

The constitution is further supported by the following Acts which were created solely for the benefit of and furtherance of the municipality's constitutional mandate;

- ✚ Municipal Structures Act No. 117 of 1998,
- ✚ Municipal Systems Act No. 32 of 2000,
- ✚ Municipal Finance Management Act No. 56 2003,
- ✚ Municipal Property Rates Act No. 6 of 2004,
- ✚ Development Facilitation Act
- ✚ Division of Revenue Act

Acronyms

AG	:	Auditor General	MM	:	Municipal Manager
CFO	:	Chief Financial Officer	MLB	:	Motor Licensing Bureau
DFA	:	Development Facilitation Act	SCM	:	Supply Chain Management
EXCO	:	Executive Committee	SDBIP	:	Service Delivery Budget
GM	:	General Manager	Implementation Plan		
IDP	:	Integrated Development Plan	PMS	:	Performance Management
IGR	:	Inter Governmental Relations			System
MANCO	:	Management Committee	WSP	:	Workplace Skills Plan
MFMA	:	Municipal Finance			
Management Act					



FOREWORD BY THE MAYOR

Mr Speaker, Members of EXCO, Members of Council, Officials, Ladies and Gentlemen.

It is a great pleasure to present the Annual Report for the 2008/09 financial year. This document provides the public and government with an opportunity to measure the efficacy and compliance levels of the Municipality. Please take advantage of the two months reserved for public comments on the substance and spirit of the report.

At the onset, I must concede that a lot still needs to be done to improve the lives of the majority of the people of uMshwathi, and on the general functioning of the Municipality.

However, by all accounts, members of Council will agree that the Municipality has done fairly well in terms of addressing the basic service delivery backlogs. This is despite the very limited financial and human resources at our disposal. Of course, the current world economic down turn has certainly complicated the situation.

During the financial year in question, Council adopted the Performance Management system which is required for performance measurement. We also held successful HIV/AIDS and Safety and Security summits which were important milestones for the fight against the challenges of HIV/AIDS and crime respectively.

In addition to these achievements, the Municipality received an unqualified audit report. This report is stark testimony of the resolve of Council to improve financial and general management of the municipality.

The manner in which the National and Provincial Elections were run in the Municipality is an indication of the state of maturity of democracy in our municipality.

All this good work can be attributed to the outstanding work relations amongst councillors representing the different political parties, the commitment of officials in the employ of the municipality, and all the other partners. Let us continue to hold hands in the interest of a better life for the people of uMshwathi.

It is our firm belief that the oncoming Fifa World Cup Soccer Tournament and the general improvement in the global economy will yield positive results for the Municipality, even if only indirectly.

Mr Speaker, it is a privilege and honour to submit the Annual Report for 2008/2009 of uMshwathi Municipality.

Cllr. B.M. Gwala
Mayor



FOREWORD BY THE MUNICIPAL MANAGER

The Year under review, 2008 / 2009, has indeed been a year of accelerated service delivery during which the municipality and its stakeholders worked tirelessly together in a bid to ensure that the municipality moves faster in meeting its legislative mandate of service delivery to its residents. The limited successes that were achieved with regards to service delivery, were achieved in spite of huge financial challenges which were exacerbated by the global economic meltdown.

All the achievements that are reflected in this annual report cannot be seen in isolation of the collaborative effort of all the stakeholders whose efforts need to be acknowledged and appreciated.

In this regard, the organic leadership and support provided by His Worship, the Mayor, Councillor B M Gwala and his Executive Committee (Councillors S S Zondi (Deputy Mayor), M J Mkhize and T I Gabela) and the Speaker, Councillor G S Maseko, and his Council is to be commended. The contributions made by the people of this municipality during the Ward-based IDP and Budget hearings as well as contributions made by all the Ratepayers Associations and the uMshwathi Agricultural Union, have indeed been pivotal in guiding the municipality in taking some decisions.

It is indeed incumbent upon the municipality to improve and strengthen engagement processes with all its stakeholders and the foundations in this regard have been laid. In this regard, whereas Ward Councillors will continue convening regular meetings of Ward committees as well as community meetings in general in all the wards, focused regular meetings with Ratepayers Associations and the Agricultural Union which became the hallmark of the municipality's engagement with these stakeholders, will be enhanced and strengthened to ensure all the valuable inputs received continue to enrich the municipality's business processes.

Management and staff at all levels need to be commended for their contribution in assisting the municipality deliver services and for working tirelessly under very difficult circumstances at times. The Unions, both SAMWU and IMATU must also be singled out for their positive contribution in realizing the objectives of the municipality.

During the year under review and as a result of persistent requests from communities during the IDP and Budget hearings, the municipality took a bold step, after failing to secure positive responses from the Department of Minerals and Energy and ESKOM, to implement electrification projects in Thokozani, Gququma and some parts of Swayimana. These projects were to be funded by the municipality itself and a loan had to be applied for. Unfortunately, after the Thokozani project was started, it became apparent that the approval for the loan application was seriously delayed and is currently a subject of further discussions with the

Development Bank of Southern Africa (DBSA), First National Bank (FNB) and the Department of Minerals and Energy (DME). It is therefore clear that these projects will have to be implemented over the next financial year or two.

Two major projects which were implemented during the year under review were D75 which was constructed at cost of R9, 7 million and Mbeka road which was constructed at a cost of R2,5 million and others.

From the foregoing, it is evident that despite limited finances at the disposal of this municipality, a lot has been done to accelerate service delivery and this is to be continued in the following financial years.

M.V Cebekhulu
Municipal Manager

Overview of the Municipality

SPATIAL LOCATION AND DEMOGRAPHICS

uMshwathi is one of seven local municipalities within uMgungundlovu District and is ideally situated adjacent to Pietermaritzburg the Capital City of KwaZulu-Natal Province. uMshwathi Municipality covers a ground area of about 1 811 square kilometres with a total population of 113,054 residing in 27324 households as detailed in table 1 above (source Stats SA 2006 community survey). The municipality is the second largest in the district in terms of the population after Msunduzi Municipality.

The jurisdiction area of the municipality comprises of eleven Wards which are predominantly located in agricultural landscape used mostly for growing timber and sugar-cane. The balance of the area is used for rural-residential settlements with three semi-urban economic hubs, namely, Dalton, New Hanover and Wartburg.

EDUCATIONAL LEVELS AND EMPLOYMENT STATUS

A major proportion of the population of uMshwathi Municipality aged above 20 years has absolutely no schooling. This accounts for 29.2 percent of out of a total of 55 993. This is compounded by the fact that 27. 9 percent has only attained primary education. What this reveals is that literacy levels of the population are low and require strategic intervention in future. The other worrying point is that only 3.2 percent has attained a level of education above standard 10 or Grade 12. This has serious implications in terms of the overall skills profile of the area. (Statistics S.A. Community Survey 2006).

Of the total of 35 530 economically active segments of the population, 43, 7 percent were classified as unemployed. This is a serious social challenge when consideration is taken of the reality that 66, 6 percent of households were said to earn between 0 – R800 per month and therefore, considered poor as they were living below poverty datum line.

Stats SA Community Survey (2006) also revealed that of the total of 35 530 economically active population 43.7% were classified as unemployed. The levels of education have been determined as low reflecting limited access to employment opportunities. This correlates with the low wages in the agricultural sector. The agricultural sector is the main employer in the municipality employing 55% of the economically active population. As of March 2006 the minimum wage in the agricultural sector was R885.00. Low incomes, insecure jobs, high dependency ratios and unemployment rates mean that many people in need of housing in uMshwathi depend largely on the housing subsidy to meet their housing needs.

The seven strategic priorities of our municipality are

-  Community participation
-  Good governance
-  HIV/Aids
-  Housing development
-  Local economic development and job creation
-  Poverty alleviation
-  Safety and security

Vision

“uMshwathi Owethu – Lets Build Together”.







Mission

“Provider of Municipal services for better quality of life for all”

The operation of our municipality is bolstered by resolute adherence to the following values and principles to ensure sustainable services delivery to the community:

Values

In all its activities, uMshwathi Municipality strives to make the “Batho Pele principles” a living reality by

-  Caring and putting people at the centre stage of all development processes;
-  Being democratic, open and transparent;
-  Adhering to high standards of integrity and morality;
-  Supporting anti-corruption drive
-  Constantly improving its business processes in pursuit of excellence and best practice; and
-  Supporting development of staff and councillors as a necessary condition for strengthening local governance.

ECONOMIC PROFILE

Economy

The uMshwathi Municipality has in the last two years identified a number of lead projects aimed at turning around the economy of uMshwathi. Amongst these projects are the rehabilitation and development of the towns in the Municipality, middle to high-income housing projects as well as the development of a road corridor linking the N2 and N3 and traversing uMshwathi Municipality. The possibility of developing new economic nodes in the Municipality is also being considered.

Further objectives relating to a broadening of the Municipality's economic base involve identifying and supporting alternative economic ventures. The strategies adopted are developing investment opportunities, building on tourism initiatives and helping small and medium-sized local enterprises to succeed.

Development Objectives

A key development objective is the focused implementation of land reform, so as to develop a vigorous farming sector in the Municipality. Strategies include finding means of helping poverty-stricken families to sustain themselves through farming; improving security of tenure in rural communities; and providing greater access to commercial agriculture to previously disadvantaged people. The key economic sectors of the municipality are outlined below.

Agriculture and Agri-processing

Agriculture industry plays a key to the uMshwathi economy. This industry consists mainly of sugar cane, timber and maize. There are two major sugar mills within the area, which contributes a large amount toward the district sugar production. There are also two timber processing plants. Other agriculture activities include piggery, abattoirs (beef and crocodile) and poultry.

Tourism

Within the uMshwathi municipality area, there a number of tourism outlets, a hotel with a German bias and history, coffee shops, craft outlets, inns, guest houses and B&B establishments in and around the village centres, including wedding and function facilities. The nearby settlement of New Hanover boasts one of our province's oldest schools and one of very few to be proclaimed a National Monument. Beyond New Hanover, some 100-kilometres of inter-linked trails with overnight huts have been developed into the singular experience of Blinkwater Trails by co- operation between conservation bodies and the timber industry. There is much of both historic and botanical interest on the plateau, with hikers skirting waterfalls and lakes while traversing scenic grasslands and indigenous forest.

Political Leadership

Leadership (Council and Executive)

The function of Council and Executive Committee (EXCO) within the municipality is to govern and oversee the implementation of its constitutional and legislative mandates. The EXCO and its operational committee's receive reports from management and deal with operational matters in terms of their delegated powers and report to Council.

The council consists of 22 Councillors. Council meetings are held every two months to receive and consider reports from EXCO and to deal with matters entrusted to it by the Constitution of the Republic of South Africa.





EXCO meetings are normally held monthly and committee's constituted by it meet in terms of arrangements determined by EXCO. Senior Management (Municipal Manager and the General Managers) attend all Council meetings and those of its Committees to provide advice and guidance in order to ensure that proper and informed decisions are taken.

COMMITTEES





FULL COUNCIL	SEAT TYPE	PARTY
B M Gwala ~Mayor	Ward 11	ANC
S S Zondi ~Dep. Mayor	PR	ANC
G S Maseko ~Speaker	Ward 4	ANC
M P Dlamini	Ward 1	ANC
N P Nene	Ward 2	ANC
B E Mbatha	Ward 3	ANC
X F Maphumulo	Ward 5	ANC
A T Thusi	Ward 6	ANC
R Mungroo	Ward 7	ANC
M J Mkhize	Ward 8	ANC
M Goba	Ward 9	ANC
M M Nkala	Ward 10	ANC
C B Khonney	PR	ANC
D A Ndlela	PR	ANC
A G Solomon	PR	ACDP
E W Eggers	PR	DA
T A Hlatshwayo	PR	DA
V M Mncwabe	PR	IFP
T I Gabela	PR	IFP
S.C Gabela	PR	IFP
T P Phakathi	PR	IFP
V I Gumede	PR	IFP

SUB-COMMITTEES





EXECUTIVE COMMITTEE (EXCO)

-  Councillor B.M. Gwala (Chairperson)
-  Councillor S.S Zondi
-  Councillor M.J Mkhize
-  Councillor T.I Gabela

FINANCE COMMITTEE

-  Councillor B.M. Gwala (Chairperson)
-  Councillor E.W. Eggers
-  Councillor V.M. Mncwabe
-  Councillor C. B khonney







HUMAN RESOURCES AND SOUND GOVERNANCE COMMITTEE

-  Councillor S.S. Zondi (Chairperson)
-  Councillor M. Goba
-  Councillor I.V. Gumede
-  Councillor M M Nkala

INFRASTRUCTURE AND COMMUNITY SERVICES COMMITTEE

-  Councillor M.J. Mkhize (Chairperson)
-  Councillor R. Mungroo
-  Councillor T.A. Hlatshwayo
-  Councillor S.C. Gabela
-  Councillor A T Thusi
-  Councillor B E Mbatha

ECONOMIC DEVELOPMENT AND PLANNING COMMITTEE

-  Councillor T.I. Gabela (Chairperson)
-  Councillor A.G. Solomon
-  Councillor D.A. Ndlela
-  Councillor N.P. Nene
-  Councillor M P Dlamini
-  Councillor X F Maphumulo

AUDIT COMMITTEE

The audit committee comprises of four independent members of society. The committee acts in accordance with written terms of reference as confirmed by the Council, which sets out its authority and duties. The primary mandate of the committee is to evaluate the municipality's systems of internal controls, to review accounting policies and financial information to be issued to the public and to review the effectiveness of the performance management system. The committee reviews the financial statements before they are submitted to council and discusses these results with the external auditors. The Municipal Manager and the Chief Financial Officer attend meetings of the committee as invitees when required.

- ✚ Ms L Robertson (Chairperson)
- ✚ Prof Stobie
- ✚ D. Mncwabe
- ✚ M. Ngcobo

Attempts are afoot to recruit an HR Specialist in order to assist the Audit Committee in its expanded role of Performance Monitoring as approved by Council.



Extension of Municipality Offices in New Hanover

Chapter 2

Performance Highlights

This chapter gives account of the performance of the municipality against priorities that were set on its IDP with a special focus to basic service delivery to address current needs as well as backlogs. It gives account on the municipality's spending on capital projects and also gives highlights on of the municipality's spending priorities for the following year.

Financial Performance Summary

2008/2009	Budget	Actual
Details	<u>R</u>	<u>R</u>
Salaries	22,446,088	20,949,784
General	22,537,500	24,993,789
Repairs and maintenance	2,370,000	1,564,619
Reserves	50,000	139,706
Loss of sale of fixed assets	-	97,022
Operational	47,403,588	47,744,920
Capital	25,273,000	14,176,376
Total	72,676,588	61,921,296

Good Governance and Public Participation

Communication

Public participation including all other stake holders to municipality's activities plays a pivotal role in service delivery and is one of the key sound governance principles that the uMshwathi Municipality is using to bring about good and effective governance. During the reporting period the Municipality had a regular engagement with local communities through their Ward committees in order to ensure that their inputs were taken into consideration in the formulation of the municipality's programs and plans, such as the IDP.

Public Participation

The municipality deploys all means available at its disposal to enhance a broader community participation in its activities and programs, including service delivery. The following are some of the modes of communication that were utilized during reporting period:

- ✚ Community structures (Ward committees)
- ✚ Print Media (newspapers and various other publications)
- ✚ Radio station
- ✚ Our website
- ✚ Public gatherings eg. Izimbizo

STRUCTURE / PUBLICATION	STAKEHOLDERS	OBJECTIONS/ FUNCTIONS	FREQUENCY
Ward Committee Meetings	<ul style="list-style-type: none"> ✚ Ward councillors (Chairpersons) ✚ Ward committee members (Elected from the community) ✚ Community ✚ Senior management personnel of Municipality 	<ul style="list-style-type: none"> ✚ Informing the community Of Council decisions, municipal activities etc. ✚ Community informing Ward Councillor / municipality of their concerns. 	Quarterly
Public meetings/ Izimbizo	<ul style="list-style-type: none"> ✚ Mayor and councillors ✚ Community ✚ Senior management ✚ personnel of municipality 	<ul style="list-style-type: none"> ✚ Informing the community of council decisions, community rights and duties, municipal affairs etc. ✚ Community informing Councillors and officials of their issues. 	Annual
Council meetings (open to public)	<ul style="list-style-type: none"> ✚ Mayor and councillors ✚ Senior management ✚ Personnel of municipality 	<ul style="list-style-type: none"> ✚ To formulate policy decisions ✚ Exercise oversight role ✚ Consider community contributions 	Quarterly
IDP and budget Engagements	<ul style="list-style-type: none"> ✚ Mayor and councillors ✚ Community ✚ Senior management ✚ Personnel of municipality 	<ul style="list-style-type: none"> ✚ Obtaining community input on the content of IDP and proposals ✚ Informing the community of IDP and budget- related matters 	Annual
Notices	<ul style="list-style-type: none"> ✚ Community ✚ Personnel of municipality 	✚ Informing the general public and personnel on municipal matters	As required

The uMshwathi Municipality also participates actively in the following IGR structures:

- ✚ Municipal Manager's Forum : (Municipal manager)
- ✚ District Waste Management Forum : (GM Technical Services)
- ✚ District Technical Cluster : (GM Technical Services)
- ✚ CFO's Forum : (Chief Financial Officer)

Municipal Manager

The Municipal Manager is responsible for corporate strategy, sound organisation management and implementation of Council's resolutions, including the implementation of Integrated Development Plan (IDP). The Office of the Municipal Manager also strives to maintain and enhance the relationship between the political and administrative structures of the Council, to promote good governance and innovations in the areas of communication, strategic planning, information and knowledge management.

The following major tenders and contracts were awarded during the 2008/2009 financial year.



Road D75

Tenders awarded during 2008/2009 financial year

No.	PROJECT	SERVICE PROVIDER	AMOUNT
1	Rehabilitation and Surfacing of D75	Ubunye Plant Hire	R 8 615 310
2	Construction of Gujini Crèche	Amangipha Construction	R 459 634
3	Refurbishment of Ndudwini Crèche	Isilomo Development Consultants	R 376 151
4	Internal Audit (2008/09)	Roshan Morar	R 219 956
5	Internal Audit (2009/10)	Roshan Morar	R 221 742
6	Upgrade of Mbeka Road	Sulumane Construction	R 1 317 264
7	Construction of Mtulwa Crèche	Isilomo Development Consultants	R 384 703
8	Short term Insurance	Indwe Risk Services	R 128 269
9	Office Furniture	Versatile Interiors	R 154 858
10	Design for Widening of Road P523	Ninham Shand	R 930 240

Capital Programme Highlights

CAPITAL PROJECTS	2008/2009	REPORT/STATUS
ELECTRICITY		
Mpolweni	R 2,100,000.00	Project is being implemented by ESKOM.
Thokozane	R 5,900,000.00	The Consultant on the project is Dihlase Consulting and the Contractor is A1 Contracting. The project is currently in the implementation phase.
ROADS		
Bhisi road	R 800,000.00	Project involves the construction of a gravel road 2.45km long. Project started on 12/05/08. The project design and management is being implemented internally. The Contractor that was appointed to implement the project was Rob Plant Hire. The project is still in progress.
D75 road	R 3,000,000.00	Upgrading of 2.8km gravel road to asphalt. Project started 02/02/09. MCJ Engineers are the Technical Consultants and the Contractor is Ubunye Plant Hire. The project is still in the implementation phase.
Mbeka road	R 2,573,000.00	The project was designed and managed internally. The appointed contractor was Sulamane Construction. The Project is now complete.
D40 road	R 2,000,000.00	Upgrading of 2km gravel road to asphalt. Preben Naidoo & Ass. have been appointed as the Technical Consultants on the project. The project tender was advertised but the Contractor has not been appointed.
P423 road	R 500,000.00	Widening of existing asphalt road. The Technical Consultant (Ninham Shand) was appointed and the road is currently being designed.
D1017 road	R 6,300,000.00	Upgrading of 8km gravel road to asphalt. The project is being implemented by the uMshwathi Municipality on behalf of the uMgungundlovu District Municipality. The Technical Consultant is BCP Consulting and the Contractor is Sanyati Construction. Project is still in the implementation phase.
MUNICIPAL PUBLIC WORKS		
Ndundwini Crèche	R 400,000.00	The project is being designed and managed by the municipality. The appointed contractor was Isilomo Development Consultants. Project started on 19/01/09 and was completed on 22/05/09.
Mtulwa Crèche	R 400,000.00	The project is being designed and managed by the municipality. The appointed contractor was Isilomo Development Consultants. Project started on 19/01/09 and was completed on 22/05/09.
Ekupholeni Hall/Gujini Crèche	R 650,000.00	The project is being implemented in house. The appointed contractor was Amangipha Construction. Project is still in the implementations phase.
Mpolweni Sportsfield	R 1,800,000.00	This project was funded and managed by the uMgungundlovu District Municipality.
Sanitation: Mvoti Slopes	R 854,331.00	This project was funded and managed by the uMgungundlovu District Municipality.

CAPITAL PROJECTS	2008/2009	REPORT/STATUS
Gobizembe Community Hall	R 1, 400,000.00	Technical Consultant on the project was ABAQS Quantity Surveyors and the Contractor was HMS Hardware and the official site handover took place on 30/05/08.
Gqugquma Community Hall	R 1,987,371.12	Technical Consultant on the project was ABAQS Quantity Surveyors and the Contractor was HMS Hardware and the official site handover took place on 30/05/08.
Estezi Community Hall	R 2,062,411.62	Technical Consultant on the project was ABAQS Quantity Surveyors and the Contractor was Mlawuza's Construction the official site handover took place on 30/05/08. The project is 65% complete.
Office Extension	R 4,111,411.10	The project was project managed by uMshwathi Municipality with the assistance of various Technical Consultants. Contractor on the project was HMS Hardware. The project is now complete.
Nkululeko Community Hall	R 1,074,000.00	Kantey & Templer were appointed to implement the project. A PSC was established so as to involve the community in the implementation of the project. Members of the community were employed during the implementation of the project and this has resulted in the development of skills within the community. These skills will remain with the community even after the project is complete. The project is now complete.
Efaye Community Hall	R 1,074,000.00	Kantey & Templer were appointed to implement the project. A PSC was established so as to involve the community in the implementation of the project. Members of the community were employed during the implementation of the project and this has resulted in the development of skills within the community. The project is now complete.
Trustfeed Community Feed	R 1,074,000.00	Kantey & Templer were appointed to implement the project. A PSC was established so as to involve the community in the implementation of the project. Members of the community were employed during the implementation of the project and this has resulted in the development of skills within the community. These skills will remain with the community even after the project is complete. The project is now complete.
Mbava Community Hall	R 1,074,000.00	Kantey & Templer were appointed to implement the project. A PSC was established so as to involve the community in the implementation of the project. Members of the community were employed during the implementation of the project and this has resulted in the development of skills within the community. The project is now complete.
Mambedwini Community Hall	R 1,074,000.00	Kantey & Templer were appointed to implement the project. A PSC was established so as to involve the community in the implementation of the project. Members of the community were employed during the implementation of the project and this has resulted in the development of skills within the community. The project is now complete.
Mpolweni Community Hall	R 1,454,824.69	Technical Consultant on the project was ABAQS Quantity Surveyors and the Contractor was Gonal Construction. Project started on 05/05/08 and is still in progress.

CAPITAL PROJECTS	2008/2009	REPORT/STATUS
Thokozane Sports Field	R 295,000.00	The project was designed and managed by the Municipality. The tender was awarded to Sulumane Construction. The Contractor top soiled the sports field, erected the new gates and installed a new grandstand. Project is complete.
Thokozane Community Hall	R 350,000.00	The project was designed and managed by the Municipality. The contractor that was appointed to implement the project was Hi-Glen Construction. The project is now complete
Thusong Service Centre	R 5,000,000.00	Mthulisi Msimang Architects have been appointed to design the project. The project is currently in the design phase.
LED, LAND AND HOUSING		
Feasibility Study Corridor Development	R 1,500,000.00	The study has been completed and a Report and Business Plan have been adopted by Council. The next step will be to submit the Business Plan and proposal to stakeholders such as the National Department of Transport and SANRA for possible funding for the implementation of the plan.



Gqugquma Community hall

Chapter 3

Human Resources and Organisational Management

Our human resources section is responsible for formulating objectives, practices, and policies in order to enable the municipality to meet both its short-term and long-term organizational development objectives. The Human Resources section also plays a lead role in change management and in evaluation of human capital contributions to municipality's effectiveness in service delivery in line with municipality's performance management plan.

The following are the key functional areas for Human Resources Section:

- ✚ Compensation and benefits
- ✚ Custodian of human resource policies
- ✚ Employee Assistance Program (EAP)
- ✚ Employment equity
- ✚ Labour relations
- ✚ Training and development
- ✚ Strategic management
- ✚ Workforce planning/employment, and
- ✚ Occupational health and safety.

Staff Complement

DEPARTMENT	APPOINTMENT	DEATH	DISMISSAL	RESIGNATION	2009/2008	2008/2007
Municipal Manager	-	-	-	-	11	11
Community services	2	-	1	1	27	27
Corporate services	3	-	-	2	16	15
Technical services	-	2		1	53	56
Financial services	5	0	0	2	14	11
Total	10	2	1	6	121	120

Organisational Development

Induction Programme

During the reporting period, the municipality organized a team building and induction session for employees, aimed at ensuring cohesion and understanding the vision, mission and values of the municipality. As part of this program, issues relating to conditions of service and human resource policies were discussed. By the end of 2008/2009 financial year, more than 80% of the employees had been inducted.

Skills Development

In pursuance of the municipality's skills development objectives, the following milestones were achieved:

- ✚ The Municipality skills audit was complete and WSP was submitted on time to the SETA for local government.
- ✚ 70% of the planned training programmes were implemented.
- ✚ Four employees qualified as traffic officers through the municipality skills development program.

Employment Equity Plan

The Municipality adopted the Employment Equity Plan and appointed a committee to ensure compliance with the Plan.

Youth Development

The Municipality is committed to promoting youth education and training through practical learning with a view to empowering all undergraduates, graduates and post graduates especially from designated groups, to familiarise them with practical on-the-job experience in their respective career choices.

In this regard, four graduates in the financial field have been engaged as interns for a period of two years where they are afforded an opportunity to obtain the necessary practical and on-the-job training for their qualification.

The municipality is also assists scholars and undergraduates who want to do in-service training. During 2008/2009 financial year, four students were accommodated for in-service training.



Staff Team Building

Chapter 4



Mtulwa Crèche

Functional Services Delivery Report

This chapter deals with how each of the municipality's departments has performed in service delivery within their respective key performance areas, set out the during 2008/09 financial year.

The municipality's Key Performance Areas (KPA's) Are as follows:

- ✚ Basic Services Delivery
- ✚ Municipal Institutional Development And Transformation
- ✚ Local Economic Development
- ✚ Financial Viability and Management
- ✚ Good Governance and Public Participation

The total budget of the municipality for the reporting period was R72, 765,588. The Capital expenditure was allocated 65% of the budget which amounted to R47, 403,588. 35% of the total budget, R25, 273,000 was allocated towards operation expenditure. The total amount spent was R61, 921,296 (Capital R47, 744,920 and Operational R14, 176,376). The performance achievements as measured against these objectives are detailed hereunder;

Functional breakdown by Department

Department	Function
Municipal Manager	<ul style="list-style-type: none"> ✚ Integrated Development Plan & PMS ✚ Economic Growth and Development ✚ Town and Regional Planning ✚ Internal Audit ✚ Communication
Corporate Services	<ul style="list-style-type: none"> ✚ Human Resources ✚ Record Management ✚ Administration Support ✚ Committee Support And ✚ Information And Communication And Technology
Community Services	<ul style="list-style-type: none"> ✚ Traffic ✚ Motor Licensing Bureau ✚ Cemetery Management ✚ Youth Affairs, Health Care ✚ Housing and ✚ Disaster Management
Financial Services	<ul style="list-style-type: none"> ✚ Budgeting ✚ Revenue ✚ Expenditure ✚ Valuation ✚ Supply Chain Management
Technical Services	<ul style="list-style-type: none"> ✚ Refuse collection ✚ Roads ✚ Infrastructure ✚ Operations and maintenance

DEPARTMENT: MUNICIPAL MANAGER

SECTION: INTEGRATED DEVELOPMENT PLAN (IDP) AND PERFORMANCE MANAGEMENT SYSTEM (PMS)

The IDP/PMS unit is primarily responsible for driving the IDP process, which in essence entails the strategic planning for the municipality's development agenda in accordance with its powers and functions.

During the 2008/09 financial year, the IDP review process started with the preparation and adoption of the IDP Process Plan, followed by consultation of communities through Public Participation meetings in each of uMshwathi Municipality's eleven Wards. Ward Development Needs section of the IDP document serves as the primary input into the IDP/Budget processes. The schedule of IDP Ward Consultative meetings was as follows:

UMSHWATHI MUNICIPALITY'S 2008/2009 IDP REVIEW – PUBLIC PARTICIPATION MEETINGS

WARD	DATE	TIME	VENUE	WARD COUNCILLOR
1	17 February 2008	10h00	Albert Falls Primary School	Cllr MP Dlamini
2	06 March 2008	14h00	New Hanover Community Hall	Cllr NP Nene
3	20 February 2008	10h00	INadi Community Hall	Cllr BE Mbatha
3	22 February 2008	10h00	Mt Elias Community Hall	Cllr BE Mbatha
4	06 March 2008	10h00	Appelsbosch Community Hall	Cllr GS Maseko
5	06 March 2008	10h00	Appelsbosch Community Hall	Cllr XF Maphumulo
6	21 February 2008	10h00	Mabheleni Hall	Cllr AT Thusi
7	05 March 2008	11h00	Cool Air Community Hall	Cllr R Mungroo
8	02 March 2008	08h00	Trust Feed Community Hall	Cllr MJ Mkhize
8	02 March 2008	13h00	Mpolweni Community Hall	Cllr MJ Mkhize
9	22 February 2008	10h00	Mambedwini Hall	Cllr M Goba
10	21 February 2008	11h00	Maphumulo Estezi Sportsground	Cllr MM Nkala
11	15 February 2008	12h00	Oqaqeni Community Hall	Cllr BM Gwala

The above Ward Public Participation meetings were followed by an IDP Representative Forum meeting which was held at Wartburg Hof Hotel on the 13th March 2008. Subsequent to the adoption of the draft IDP document at the end of March 2008, the community was afforded another opportunity to make inputs into the final IDP through written comments as well as verbal inputs at the Mayoral Budget/IDP Imbizo which was held at Swayimana on the 11th May 2008. Thereafter, the final IDP was adopted by Council on the 28th May 2008.

The Performance Management System was realigned to the IDP unit. The PMS policy framework was revised and adopted by Council in September 2008. This function entails the development and upholding of a Performance Management System in accordance with the revised policy framework. The full implementation and roll-out of the PMS will be realized during the 2009/2010 financial year when all (or most) of the top management positions would have been filled and performance contracts signed. During the year under review (2008/2009), only two of the five Section 57 positions had been filled – these being the Municipal Manager

(Mr MV Cebekhulu) and the General Manager Technical Services (Mr A Weymouth). The other three Senior Management positions were occupied by acting incumbents as follows:

- ✚ General Manager Community Services: G.M. Zondi
- ✚ General Manager Corporate Services: M.W.S. Sibiya
- ✚ Chief Financial Officer: R. Mani

A report motivating for the filling of the above vacant positions was submitted to Full Council for its approval on the 15th December 2008. Council at the same meeting referred the matter back to the Executive Committee for further deliberation and consideration. Subsequently these positions were advertised in August 2009.

SECTION ECONOMIC GROWTH AND DEVELOPMENT

The municipality has a mandate to support local economic development, to support local SMME'S and Cooperatives, to promote tourism, to empower women and the youth, as well as the alleviation of poverty amongst the residents of uMshwathi.

The highlights for the 2008/9 financial year include the following:

Feasibility Study for the Development of a Secondary Corridor

The issue of road linkages within and between uMshwathi and other municipalities is crucial for the development of the local economy. To promote the development of the linkages, the Municipality commissioned a Feasibility Study looking at the possibility of developing a secondary corridor that runs through uMshwathi. A request for proposals was advertised in April 2008. After the normal Supply Chain Management (SCM) processes of the municipality, a consortium led by Urban Econ Development Economists was appointed in July 2008 to undertake the study at a cost of **R1 826 618.00**. The project was partly funded by the municipality and **R500 000.00** grant funding received from the Department of Local Government and Traditional Affairs.

The Department of Transport and the Department of Water Affairs and the local Agricultural Union are some of the stakeholders that were part of the Project Steering Committee.

The development of the corridor is aimed at stimulating economic growth in the municipality. The final report recommends that the road be developed into a development corridor as opposed to an alternative route for reducing the traffic congestion on N3. The next step will be to submit the report, business plan and a funding proposal to the National Department of Transport, SANRAL and other partners for the implementation of the plan.

Development of a New Economic Node

In the quest for addressing the socio-economic challenges of poverty and unemployment, Council resolved to promote the development of a new economic node in the area covering the intersection of R33 and R614 and extending to Albert Falls Dam. A feasibility study was

conducted and 9 different precincts were identified for development in this node. The success of this project will increase the rates base of the municipality and also provide the much-needed jobs and business opportunities.

As part of this project, the Department of Agriculture recommended that an Environmental Management Framework (EMF) be developed for the area covering this node and extending to some parts falling outside the node. The EMF is a new tool that is aimed at assisting decision makers, including the municipalities to take informed decisions on development applications. It will also help speed up the processing of development applications. In August 2008, the Municipality followed the normal SCM processes and appointed the Institute of Natural Resources at a tender price of **R1 541 070.84** to undertake the development of the EMF for the node. The consultants have held several consultative meetings with various focus groups as indicated below:

Biodiversity	6 October 2009
Water Resources	6 October 2009
Tourism & recreation	12 October 2009
Residents Association	12 October 2009

This project is expected to be finalized in the first quarter of 2010. The Department of Agriculture is one of the members of the Project Steering Committee.

Tourism Promotion

The municipality has a range of natural attributes and history that make it an excellent tourist destination. To unlock the potential of the area, the municipality contributes financially to the marketing of the area through its contribution to the publication of four tourism brochures viz. KwaZulu-Natal Business, KwaZulu-Natal South Africa, Ambles and Wie Was Wo (distributed in Germany). Future projects will include fostering partnerships between the established tourism outlets and the indigenous people of uMshwathi. This will promote the spread of benefits from tourism to a wider section of the local population.

Support to Local Small and Medium Enterprises & Cooperatives

The development and sustainability of small businesses contributes to economic development of an area. The municipality therefore provides support to SMMEs and cooperatives in ways ranging from capacity building to the provision of information and advice. The focus of the interventions is mainly on the youth and women.

During this financial year, the KZN Department of Economic Development and Tourism provided training on general Business Management for 27 SMMEs. The Environmental Health Unit of uMgungundlovu District Municipality also provided training on Food Hygiene for 33 SMMEs. The municipality facilitated the selection of delegates, provided venues and paid for the catering (R 4,410.50) for these interventions.

Investment promotion





Following the trade missions to South Korea and Vietnam in 2007, the Mayor led another delegation to Vietnam in September 2008 to follow up on the initial discussions between the municipality and Vietnamese companies. The latest trade mission resulted in the signing of Memorandums of Understanding (MOU) between the municipality and three Vietnamese companies. These MOUs cover cooperation on the establishment of a furniture factory in uMshwathi, skills transfers, particularly on furniture manufacturing, the establishment of a fibre cement roofing factory in uMshwathi and property development. One Vietnamese Company visited the municipality during this financial year.

The municipality is currently facilitating the process of partnerships between Vietnamese Companies and local investors. The plan is to ensure that the local youth that will be trained on Furniture Manufacturing has a stake in the furniture business and that they also work in the factory.

In due course the unit will develop an incentive package for investors. However, most of the incentives will be from agencies such as TIKZN and IDC and not from the municipality.

SECTION TOWN AND REGIONAL PLANNING

The activities of the Municipality's Town Planning section are aimed at providing the people of uMshwathi with the greatest possible opportunities and choices with respect to living, working, shopping, education and entertainment opportunities whilst:

-  Achieving a balance between meeting the people's needs and the capacity of uMshwathi's physical and economic resources;
-  Being responsive to the differing values, perceptions and desires of the residents;
-  promoting the attainment of visual beauty, environmental quality and a sense of place; and
-  Conserving the natural environment.

Within this context, the Municipality's Town Planning Section endeavours to encourage development that is appropriate and compliant with the Integrated Development Plan, Spatial Development Framework as well as complying with all legislative planning and development application procedures. Of key importance in assessing all applications, are the principles of sustainability, feasibility and long-term benefit to the people of uMshwathi. From minor subdivisions or changes in land use, to rezoning and large-scale developments, the Town Planning Section provides the necessary guidance and support to all uMshwathi inhabitants, developers and investors to obtain approval from Council.

Of key importance with respect to developments utilizing the Development Facilitation Act (No. 67 of 1995) is the fact that the municipality has its own designated officer to facilitate and manage the relevant processes herein. This includes liaison with various stakeholders, National and Provincial Government Departments, members of the public and other interested and affected parties. With regard to submission of development applications, the respective procedures are determined by the nature and scale of the different types of proposals and all applications for development regardless of their individual processes require a detailed motivation in terms of, “need” and “desirability”, anticipated impacts on the amenity and environment surrounding the application site, submission of various plans (i.e. locality/ zoning/ land use/ surveyor general diagrams/ site development plans), etc.

Despite some of the minor challenges affecting the Town Planning Section e.g. applications lacking in terms of all necessary documents and attachments (which results in delays), the influx of development applications at certain given times, the need to shift priority as and when required (particularly with respect to community priorities), the Town Planning Section aims to serve the people of uMshwathi and others, to the best of its ability and available resources. At all times, the best possible guidance and care is shown to all developers, investors and people within the uMshwathi Municipality.



Tourist accommodation

DEPARTMENT: CORPORATE SERVICES








The purpose of the Department

The purpose of the department is to provide management leadership and sound administration of the institution.

Measurable Objectives of the Department










Effective leadership, management and administrative support to business units of the institution ensured, through continuous refinement of corporate policies, structure, systems in compliance with legislation and best practice and championing Batho Pele principles and Service Delivery.

Sections that exist within the Corporate Services Department

-  Human Resources
-  Corporate Administration and Secretariat
-  Compliance and Legal Services
-  Information and Communications Technology (ICT)
-  Records Management Services
-  Fleet Management
-  Security Services

Corporate Administration and Secretariat

This section provides secretarial support to various Committee/ Sub Committee meetings and Forums .The following are some of its responsibilities:

-  Ensuring that meetings take place according to the schedule.
-  Co-ordination of logistical and procedural requirements of the meeting of that specific Committee
-  Distributing notices of meetings
-  Compiling and distributing agendas timeously.
-  Recording details of proceedings/ discussions of the meeting
-  Preparing minutes accurately
-  Distributing resolutions emanating from the meetings for relevant employees to action.
-  Making follow up on resolutions of committees
-  Maintaining safe keeping of all records pertaining to Council meetings.

Compliance and Legal Services

The Corporate Services Department is responsible for the establishment and functionality of all core municipal policies and systems as required by law and ensures adherence to same.

- ✚ The Department in conjunction with other departments drafts by laws and ensures that they are promulgated

Information and Communications Technology (ICT)

This section maximises the opportunities to communicate creatively and effectively through the use of new technology, so that there is easy access to information about the Municipality, It undertakes to continuously

- ✚ Promote the Council and its services and to facilitate channels of communication.
- ✚ Seek out and exploit the opportunities presented by electronic communication, internally and externally, to benefit the Municipality and the communities it serves.

The Registry

The Registry section serves as a link between the organization, departments and sections within the organization. The activities of the registry section are governed by the Archives Act of 1996 and Access to information Act of 2000.

Amongst other activities that are carried out at the registry section are:

- ✚ Receipt and opening of post
- ✚ Sorting of post
- ✚ Making files available on request
- ✚ Tracing of files
- ✚ Dispatch of outgoing mail
- ✚ Safekeeping and protection of archives
- ✚ Maintaining the list of all important documents
- ✚ Photocopying
- ✚ Messaging (Messenger)

Fleet Section

This section performs administrative functions related to management of Council fleet which includes the processing and updating of fleet records, attending to procedural requirements, conducting analysis and reporting on the performance of fleet with respect to fixed and variable costs against budgetary provisions, to ensure fleet utilization is controlled, deviations identified and optimum efficiencies achieved.

Security Services

This section is responsible for the provision of security services which is currently outsourced and includes the following key aspects

- ✚ Provision of 24 hours security services at the Municipal offices in New Hanover, Wartburg, Dalton and Cool Air.
- ✚ Provision of armed banking of Council's cash and cheques on a daily basis to ensure its daily banking operations are undertaken with maximum security.

Department: Community Services

The Department of Community Services is made up of the following sections:

- The Traffic Unit
- The Motor Licensing Unit
- The Cemeteries Management Section
- The Youth Affairs Unit
- The Health Care Unit
- The Housing Unit

The Traffic Unit

This unit is responsible for enforcing traffic rules and regulations within the municipality. The unit is manned by 9 traffic officers viz. 1 Chief Protection Officer and 8 Traffic Officers and an Administration Clerk.

The highlights of this unit in this financial year include the appointment of the Chief Protection Officer and 4 traffic officers.

The Motor Licensing Bureau (MLB) Section

This section is located in the Municipal Offices in Wartburg. There are 4 MLB officers and one MLB supervisor in this unit.

The Municipality prides itself for receiving an award from the KZN Department of Transport for 'best run' MLB Office in the Province. The number of learners licenses issued by this section also increased during the current financial year.

One of the future plans is to establish a testing ground for driver licensing in uMshwathi Municipality

Cemetery Management Section

Presently, the Municipality is running five cemeteries situated in New Hanover, Cool Air, Trust Feed, Mpolweni and Thokozani. This section is run by a supervisor and five cemetery attendants.

The municipality has established death registers for each cemetery during the current financial year.

The New Hanover Cemetery is almost full and the municipality is facing a challenge of identifying and acquiring a new site to replace this cemetery. The Municipality has also had to deal with the problem of informal settlements at the New Hanover Cemetery.

There is also a challenge of a low water table that is presenting problems in the Cool Air Cemetery.

Youth Affairs

The Youth Affairs Section is run by the Youth Coordinator. It is responsible for facilitating the empowerment of the local youth.

The achievements for the current financial year include the establishment of the local Arts and Culture Forum and the formation of four farming cooperatives.

The local youth has also benefited from the establishment of two Mass Participation Program Hubs in New Hanover and Wartburg. The Hubs were established by the Department of Sports and Recreation (DSR). They coordinate and promote different sport codes within uMshwathi Municipality. There are twenty facilitators that are paid by the DSR.

The Municipality is assisting the community in its efforts to establish a community radio in uMshwathi. The success of this project will enhance the ability of the municipality to communicate with the rest of uMshwathi residents and organizations. The station will also provide the local youth with an opportunity to develop an interest and skills applicable to radio broadcasting and the media in general. The final outcome of the application is expected before the end of the second quarter of 2010.

Health Care

uMshwathi Municipality has 5 Clinics. The clinic in Crammond is managed by the Municipality through a service level agreement with the Provincial Department of Health. This clinic has a subsidized budget of R393 000.00. The municipality and the Department of Health are currently working towards the transfer of the running of the Crammond Clinic to the Department.

Housing Unit

uMshwathi Municipality is one of ten municipalities in KZN that have been identified by the Provincial Department of Human Settlements for the establishment of housing units.

The Housing Unit was established in 2008. It is currently run by the Housing Manager. However, the municipality is currently awaiting a response from the Department of Human Settlements for the request for additional personnel. This section is responsible for the provision of housing, and slums clearance programs of the municipality.

This Municipality has a target of building 8325 housing units by 2014. The following table shows the various housing projects and the status of each project for the current year.

NAME OF PROJECT	BUDGET	NUMBER OF UNITS	STATUS
Thokozani	R26 492 446.00	906	42 units still to be built. The delay has been caused by a relocation of power lines. The municipality is currently working with various stakeholders to address the challenge of poor workmanship on the houses that have already been built.
Dalton/Cool Air	R32 291 492.00	419	Funding of R479 295.00 has been approved. The preliminary stage has been delayed by the challenge of land acquisition.
Inadi	R28 252 465.99	500	The funding for stage one, R972 165.00 has been approved and the project is in progress.
Masihambisane Rural Housing	R28 252 465.00	500	The funding for stage one, R972 165.00 has been approved and the project is in progress. There is a challenge of land ownership in this area. There is land belonging to Ingonyama Trust, the State and Private land.
Mhlangandlovu Rural Housing	R28 252 465.00	500	The funding of R972 165.00 has been approved and the project is progressing without challenges
Appelsbosch Rural	R28 252 465.00	500	The funding of R972 165.00 has been approved and the project is in progress. The municipality is currently negotiating with the land owner, the mission for the acquisition of additional land for the project.
Swayimana Rural	R28 252 465.00	500	The funding for stage one, R 972 165.00 has been approved and the project is in progress.
Efaye Rural	R28 252 465.00	500	The funding for stage one, R972 165.00 has been approved. The municipality is currently trying to resolve the problem of land ownership.
Trustfeed	R77 680 000.00	1000	The primary stage is complete. The municipality is still trying to secure land from the private owners.
New Hanover & Crammond Slums Clearance	R500 000.00	3000	The tender for the preliminary stage has been awarded

Department: Finance Services

The Finance Department is responsible for ensuring that the municipality operates in accordance with the municipal finance regulations as prescribed in the MFMA and other related Guidelines that are issued periodically by National Treasury. This Department is lead by the Acting CFO and has a staff complement of 10 officials.

In order to ensure efficient and effective execution of responsibilities the department is divided into the following task-oriented sections:

- Expenditure – responsible for sound administration of both creditors and payroll activities.
- Income – responsible for proper administration, billing consumers for rates and other municipal services and collection of debts.
- Budget – responsible for the preparation and management of a balanced, IDP-aligned budget
- SCM - responsible for all supply chain-related activities as prescribed by the Municipality's SCM Policy

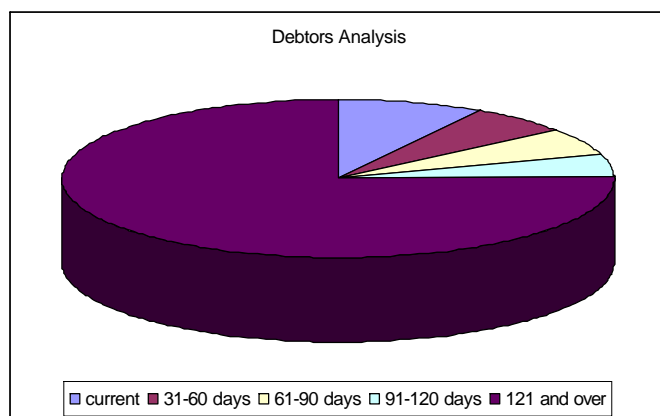
The highlights of the department's performance include the following:

- The appointment of the creditors and debtors clerks
- The appointment of the Audit Committee
- Submission of Annual Financial Statements timeously to the Auditor General.
- Obtaining an unqualified audit report.

In order to respond to the national skills development strategy as prescribed by National Treasury, four interns from the local community were appointed within the department. The internship program is for a minimum period of two years. At the end of the program the interns will be in a position to apply for posts, if any, within the municipality or other municipalities.

The Municipality has been managing the collection of payments for water services on behalf of uMgungundlovu District Municipality on an agency basis during the year under review. However, the District will be taking over this function in the 2009/10 financial year.

ANALYSES OF DEBTORS OUTSTANDING AS AT 30 JUNE 2009						
DEBTOR TYPE	CURRENT	31-60 DAYS	61-90 DAYS	91-120 DAYS	121 AND OVER	TOTAL
General rates	1,311,470	884,754	819,806	768,093	8,915,988	12,700,111
Refuse and other	1,030,040	676,049	670,197	538,209	11,532,098	14,446,593
TOTAL DEBTORS	2,341,510	1,560,803	1,490,003	1,306,302	20,448,086	27,146,704
% OF TOTAL DEBT	8.63%	5.75%	5.49%	4.81%	75.32%	100%



ANALYSIS OF DEBTORS PER CATEGORY	AMOUNT (R)	PERCENTAGE
Government Departments	11,650,757	43
Residential	9,325,652	34
Commercial	2,336,108	9
Agricultural	2,217,403	8
Vacant Residential	1,616,784	6
Total	27,146,704	100

Department: Technical Services

In terms of the functional organogram of uMshwathi Municipality, the Department of Technical Services is responsible for the following activities:

- ✚ Engineering Services
 - ✚ Electricity
 - ✚ Civil
 - ✚ Building Control
 - ✚ Solid Waste Management
 - ✚ Environmental Management
 - ✚ Maintenance
-
- ✚ Buildings and Structures
 - ✚ Roads and Storm water
 - ✚ Parks, Verges and Amenities
 - ✚ Cemeteries

The Department is under the control of the General Manager: Technical Services, and the main office is located in Wartburg, with the principal depot at Dalton.

Provision is made, in terms of the Departmental organogram, for three distinct sections: Project Management, Building Control and Infrastructure Maintenance.

The largest section is that of Infrastructure Maintenance and it is organized on the basis of geographical area as follows, New Hanover / Wartburg, Dalton / Cool Air and Albert Falls / Crammond. Only the first two are headed by Supervisors.

The staff complement for the department is as follows:

CATEGORY	TOTAL
General Manager: Technical Services	1
Manager: Project Management Unit	1
Admin Officer	1
Supervisor	2
Assistant Supervisor	1
Handyman	1
Driver	1
Tractor Driver	3
General Assistant	42
TOTAL	53

Engineering Services, Civils and Projects

The provision of engineering services by the Department to the municipality is achieved by the GM and the Manager: PMU supported, as required from time to time, by specialist consultants retained for specific projects. These include electrical consultants, architects, quantity surveyors, civil engineers, geotechnologists, etc.

Electricity

Provision of electricity to consumers including street lighting throughout the municipal area is carried out directly and exclusively by Eskom. This department does however occasionally intervene on behalf of consumers regarding quality and adequacy of service provision.

Building Control

The function is carried out in terms of the National Building Regulations and Building Standards Act 103 of 1977.

In the absence of a Building Control Officer (AKA Building Compliance Officer), the function is carried out by a service provider, Messrs EGM Services, under the control of the GM. Administration of the function is performed by an Admin Officer, whose services are shared with the Town Planner, who falls within the Municipal Manager's support structure.

Final approval of building plans is performed by the General Manager: Technical Services.

Solid Waste Management

The function of solid waste management falls into two activities, that of litter-picking and solid waste disposal.

Litter-picking is carried out within the municipal areas under the control of supervisors, i.e. New Hanover / Wartburg and Dalton / Cool Air, by Departmental staff. The street litter is collected and bagged, and thereafter collected for disposal by the solid waste disposal contractor.

Difficulties are being experienced with control of street litter. This is primarily as a result of a lack of discipline on the part of certain business proprietors who, instead of retaining the refuse emanating from their businesses for collection on a weekly basis, are continually placing such refuse in and around the street bins placed on the sidewalks and verges. This results in excessive volumes of refuse in the streets, with the consequent unsightly appearance of the towns.

Occasionally, e.g. on pension payout days or school sports functions, high volumes of public result in excessive littering, and difficulties are experienced with timeous collection of such street litter.

Solid waste disposal is carried out by a service provider, Messrs Uppegold Services, who is contracted to collect bagged refuse from 3 800 premises within the municipality on a weekly basis. These are residential and business sites within the urban areas only. No service is provided in rural areas.

There are no solid waste disposal sites located within the uMshwathi municipal area. The service provider hauls all waste to New England Road landfill site in Pietermaritzburg, where it is disposed of at the cost of this municipality.

The municipal by-laws provide for the prohibition of irregular disposal of waste. Despite this, substantial difficulty is frequently experienced with the necessity of clearing waste illegally dumped, by persons unknown, upon public areas.

Environmental Management

Environmental management is the control of vegetation upon municipal property – sidewalks, verges, parks, sports fields, cemeteries, etc.

The function is loosely divided into urban- and rural areas. The rural areas are controlled by the Assistant supervisor, whilst the urban areas are attended to departmentally under the control of the supervisors.

The exceptions to these are the areas of Albert Falls / Crammond, the New Hanover urban area and Thokozane, which are attended to by service providers, Messrs Rod Scallan, Silver Stars Services and Sinqobile Construction respectively.

Maintenance

Maintenance of municipal assets, including Buildings and Structures, Roads, Storm water, Parks, Verges and Amenities and Cemeteries, etc. is carried out both departmentally and by means of service providers. Resources are extremely limited, with the result that only spot maintenance is possible.

Summary of financial performance in-line with key performance areas and envisaged outputs is presented below:





OBJECTIVE	KEY PERFORMANCE AREA	BUDGET (R)	EXPENSE (R)	OUTPUT
Infrastructure and services				
Operating expenditure	Roads and Storm water	9,460,078	7,458,861	Maintained Roads
	Technical Administration Building Control Pavements and Sidewalks Bridges and Culverts Water and Sanitation Monitoring Vehicle Fleet Management Cleansing and Solid Waste Removal of Garden Refuse Grass Cutting Parks and Gardens Road Signs and Signage Building maintenance Capital works and constructions Bus and taxi ranks Public toilets and amenities			Orderly Development Pedestrian safety Access to all areas Public Health Maintenance and Ctrl Public Health Weed and Rodent Ctrl Healthy Environment Public Amenities Traffic control Healthy conditions Development of infra Public transport Public amenities
Capital expenditure	Construction of Roads	8,873,000	4,995,828	
Social development				
Operating expenditure	Community development	5,365,064	5,235,178	Public investment
	Community liaison Clinics Libraries Community facilities Public amenities Public safety Traffic management Law enforcement Licencing and control Environmental health HIV aids awareness Disaster management Cemeteries and crematoria Environmental management Housing and slum clearance			Public participation Public health Public amenities Public amenities Access to facilities Safe environment Traffic management Traffic control Logistical support Clean healthy environ Awareness and prevention Disaster support Cemetery management Clean healthy environ Housing development
Capital expenditure	Construction/upgrade of Community Halls	16,300,000	7,337,066	
Economic development	Investment promotion & market	1,000,000	1,226,230	Economic development
	Establishment of BEE & SMEE's Economic development Tourism and marketing Promotional communications Local economic support			Job creation Job creation Job creation Investment opportunity Sustainable Eco/dev

OBJECTIVE	KEY PERFORMANCE AREA	BUDGET (R)	EXPENSE (R)	OUTPUT
Democracy and governance Operating expenditure	Oversight and strategic planning Organisation and planning Management and control Communication and reporting Council support and logistics Performance management Ward committee's Record keeping and management Political secretariat and support Community development Youth and women affairs Information technology & support Internal audit and control Good governance Fraud risk management Skills development and training IDP and review Audit committee Human resource management Labour relations Occupational health and safety Security general Telecommunications Property and estates Community halls Public amenities LUMS Planning and development Leave control Appeals and complaints	22,673,706	23,586,346	Planning and governance Planning and operations Risk management Info dissemination Organisation and control Measurement and ctrl Public participation Info control Political administration Public investment Developmental government Strategic support Risk management Compliance Risk management Skills development Planning and review Risk management Staff management Labour management Safe working environment Safe working environment Communications Maintenance of assets Public amenities Access to facilities Land management Planning and dev Human resource man Logistical support
Capital Expenditure	Furniture, Grass Cutting Equipment etc.	100,000	1,274,040	
Institutional transformation				
Capital Expenditure	Office upgrade		569,442	Administrative Hub

WAY FORWARD

STRATEGY FOCUS

The strategic positioning of uMshwathi Municipality will be anchored on four core pillars to make the municipality and its people competitive and distinguishable from other municipalities of similar size. Our focus in the forthcoming years will be on the following key strategic areas:

-  growing the local economy to create sustainable job opportunities, reduce poverty and increase the revenue base of the municipality;
-  addressing service delivery backlogs, meeting basic needs of the people, and free basic services;
-  improving educational attainment levels of the area and skills development of all people, especially the youth, women and other vulnerable groups; and
-  forging strategic partnerships with the District Municipality and other stakeholders to realize the vision of the Municipality

Chapter 5

Annexure A : Audit Report

Annexure B : Annual Financial Statements

UMSHWATHI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M.V. Cebekhulu
MUNICIPAL MANAGER

28 August 2009

Date

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GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. G.S. Maseko

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	T.I. Gabela	:	Exco Member

GRADING OF LOCAL AUTHORITY

GRADE ONE (1)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

ACTING CHIEF FINANCIAL OFFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. S.S. Zondi
PR	:	Cllr. E.W. Eggers
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. V.I. Gumede
PR	:	Cllr. A.G. Solomon
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. T.P. Phakathi
PR	:	Cllr. S.C. Gabela
PR	:	Cllr. D.A. Ndlela
PR	:	Cllr. C.B. Khonney
PR	:	Cllr. V.M. Mncwabe
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. N.P. Nene
W3	:	Cllr. B.E. Mbatha
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. X.F. Maphumulo
W6	:	Cllr. A.T. Thusi
W7	:	Cllr. R. Mungroo
W8	:	Cllr. M.J. Mkhize
W9	:	Cllr. M. Goba
W10	:	Cllr. M.M. Nkala
W11	:	Cllr. B.M. Gwala

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Zondi**

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 12 to 30 were approved by the Municipal Manager on 25 August 2009 and presented to and approved by Council on 28 August 2009.



MUNICIPAL MANAGER
(Accounting Officer)
28 August 2009



ACT CHIEF FINANCIAL OFFICER

28 August 2009

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2008/2009	2007/2008
1.1 Rate and General Services		
Expenditure		
Ordinary	47,744,920	58,307,024
Capital	0	0
	<u>47,744,920</u>	<u>58,307,024</u>
Income		
Assessment Rates	11,167,779	10,073,351
Other	46,544,361	33,468,979
	<u>57,712,140</u>	<u>43,542,330</u>
Accumulated Surplus		
Surplus/(Deficit) for year	9,967,220	-14,764,694
Surplus brought forward		
	<u>9,967,220</u>	<u>-14,764,694</u>
Add : Transfer from Funds		
AFF	0	0
NDR		
Contributions to bad debt	0	0
Prior year adjustments	0	0
	<u>9,967,220</u>	<u>-14,764,694</u>
Less : Contributions to Capital Outlay	0	0
Contributions to Reserves		
	<u>9,967,220</u>	<u>-14,764,694</u>

2 CAPITAL EXPENDITURE AND FINANCING

	2008/2009	2007/2008
Expenditure		
Rate and General Services	14,176,378	21,031,598
Water Services	0	0
Public Improvement Fund	0	0
Housing Services	0	0
	<u>14,176,378</u>	<u>21,031,598</u>
Financing		
External Loans	7,553,619	13,693,065
Grants and Subsidies	6,079,459	2,469,049
Endowments		0
Revenue Contributions to Capital Outlay	543,300	4,869,484
	<u>14,176,378</u>	<u>21,031,598</u>

3 REVENUE

Rates form 19.75% of the total Income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received from National Government forms the bulk of the municipalities Income amounting to R 24 779 644.

Interest received on investments and the current amounts is R 560 761 and interest on arrear accounts amounted to R 3 968 501.

4 EXPENDITURE

Employee costs amounts to R17.3 million and forms 37% of total expenditure of the municipality, while repairs and maintenance amounted to R1 564 719 and forms 3% of total expenditure.

Certain votes have been overspent and were as a result of unforeseen expenditure and certain elements of inadequate budget provision.

5 WATER AND SEWER SERVICES

The water and sewer assets and related provision for depreciation has been written off the books of the Municipality.

Accounting Officer

Date

27 August 2009

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality.

GRAP statements 18, 21, 23, 24, 26 and 103 are not being since they are issued but not effective.

These accounting policies are consistent with those of the previous financial year accept for the exemptions that applied in the previous year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserves (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuring that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

is measured at its fair value .If the cost can not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
		Robots	10
Community		Other items of plant and equipment	3
Buildings	30		
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7. FINANCIAL INSTRUMENTS

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Debtors have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors. Only 4% of the total debtors are services debtors, namely for refuse.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regards to their estimated economic or realizable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

12. REVENUE RECOGNITION

12.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

13. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

14 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
ASSETS			
Non - current assets		70,902,733	53,677,278
Property , plant and equipment	10	70,581,651	53,385,154
Long term receivables	13	321,082	292,124
Current assets		25,250,134	19,626,267
Consumer debtors	15	17,962,870	8,752,932
Other debtors	16	1,663,291	4,663,079
Current portion of long term debtors	13	107,027	97,374
Value added tax	8	240,970	1,826,984
Call investment deposits	17	5,163,002	4,283,553
Bank balances and cash	30	112,974	2,345
Total Assets		96,152,867	73,303,545
Non - current liabilities		22,701,271	16,102,803
Long term liabilities	2	22,701,271	16,102,803
Current liabilities		14,580,673	12,938,132
Creditors	6	7,498,307	4,494,071
Unspent conditional grants and receipts	7	5,227,187	5,337,179
Bank overdraft	18	0	1,783,128
Current portion of long term liabilities	2	1,855,179	1,323,754
Total Liabilities		37,281,944	29,040,935
Net Assets		58,870,923	44,262,610
NET ASSETS			
Net assets		58,870,923	44,262,610
Housing Development Fund	1	2,993,657	3,017,659
Capital Revaluation Reserve		6,202,123	
Accumulated surplus		49,675,143	41,244,951
		58,870,923	44,262,610

**uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009**

BUDGET				ACTUAL	
2008	2009	REVENUE	Note	2009	2008
10,056,895	11,979,663	Property rates	19	11,167,779	9,556,748
100,000	300,000	Property rates - penalties imposed and collection charges		864,349	413,392
2,078,574	1,000,000	Service charges	20	1,345,547	621,505
190,000	300,000	Rental of facilities and equipment		141,953	167,323
1,500,000	750,000	Interest earned - external investments		560,761	734,695
1,750,000	1,750,000	Interest earned - outstanding debtors		3,968,501	2,692,239
301,000	751,000	Fines		186,183	488,487
1,320,000	2,375,000	Income for agency services		1,614,029	1,596,558
19,746,000	26,938,000	Government grants and subsidies	21	29,477,800	26,304,204
271683	1,260,000.00	Other income	22	355,187	450,576
0		MIG Funding		8,030,051	
37,314,152	47,403,663	Total Revenue		57,712,140	43,025,727
EXPENDITURE					
15,842,177	18,321,088	Employee related costs	23	17,289,728	14,763,040
3,750,700	4,125,000	Remuneration of Councillors	24	3,660,057	3,206,551
0		Bad debts			13,120,394
200,000		Collection costs		324,874	197,712
1,593,400	1,250,000	Depreciation		2,913,980	5,648,350
1,214,500	2,370,000	Repairs and maintenance		1,564,619	877,586
1,000,000	2,500,000	Interest paid	25	2,335,911	667,809
4,340,000		Contracted services		1,244,547	4,646,919
13,407,375	18,787,500	General expenses	32.7	16,570,670	15,178,663
0		Loss on disposal of property, plant and equipment		97,022	
	50,000	Contribution to Reserves		139,706	
		Feasibility Study		1,603,807	
41,348,152	47,403,588	Total Expenditure		47,744,920	58,307,024
-4,034,000	75	Surplus/(Deficit) for the year		9,967,220	(15,281,297)

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

2009	Pre-GRAP Reserves and Funds R	Non-distributable Reserves R	Housing Development Fund R	Capital Replacement Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2008	-	-	3,017,659			37,197,194	40,214,853
Adjust financials to agree to main ledger	-	-	3,017,659			37,197,194	40,214,853
Implementation of GRAP	-	-	-	-	-	-	-
Unspent grants adjusted	-	-	-	-	-	-	-
Restated balance at 1 July 2008	-	-	3,017,659	-	-	37,197,194	40,214,853
Surplus (deficit) for the year						9,967,220	9,967,220
Prior year adjustments						(516,603)	(516,603)
Reversal of Provision for doubtful debts						2,954,844	2,954,844
Capital grants used to purchase PPE						-	-
Housing Development Fund transactions			(24,002)			-	(24,002)
Transfer to Housing Development Fund						-	-
Revaluation					6,202,123		6,202,123
Offsetting of Depreciation						72,488	72,488
	-	-	2,993,657	-	6,202,123	49,675,143	58,870,923

UMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers,government and other		51,742,828	39,468,302
Cash paid to suppliers and employees		<u>(41,202,699)</u>	<u>(39,977,626)</u>
Cash generated from (utilised in) operations	29	10,540,129	(509,324)
Interest received		560,761	734,695
Interest paid		<u>(2,335,911)</u>	<u>(667,809)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>8,764,979</u>	<u>(442,438)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment		(14,176,378)	(21,205,466)
Purchase of housing infrastructure			
Proceeds on disposal of property,plant and equipment		171,000	
(Increase) decrease in investment properties			
(Increase) decrease in non - current receivables		(38,621)	116,645
(Increase) decrease in non - current investments			
(Increase) decrease in call investments		(879,449)	3,367,481
NET CASH FROM INVESTING ACTIVITIES		<u>(14,923,448)</u>	<u>(17,721,340)</u>
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)/Other Capital Receipts		8,204,948	17,426,557
Increase (decrease) in consumer deposits		(152,722)	(139,199)
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		<u>8,052,226</u>	<u>17,287,358</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>1,893,757</u>	<u>(876,420)</u>
Cash and cash equivalents at the beginning of the year		(1,780,783)	(904,363)
Cash and cash equivalents at the end of the year		<u>112,974</u>	<u>(1,780,783)</u>
		<u>1,893,757</u>	<u>(876,420)</u>

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008			
1 HOUSING DEVELOPMENT FUND					
Housing Development Fund					
Unappropriated Surplus					
Loans extinguished by Government on 1 April 1998	2,993,657	3,017,659			
The Housing Development Fund is represented by the following assets and liabilities					
Property, plant and equipment (see note 10)	428,109	389,488			
Housing selling scheme loans (see note 13)	955,618	791,844			
Housing rental and instalment debtors (see note 15)	165,332	165,332			
Debtors - Department of Housing	1,444,598	1,670,995			
Bank and cash	2,993,657	3,017,659			
Sub - total	2,993,657	3,017,659			
Creditors					
Total Housing Development Fund Assets and Liabilities	2,993,657	3,017,659			
2 LONG TERM LIABILITIES					
Capitalised lease liability	521,526	-			
External loans	24,034,924	17,426,557			
	24,556,450	17,426,557			
Less current portion transferred to current liabilities	(1,855,179)	(1,323,754)			
	22,701,271	16,102,803			
3 NON - CURRENT PROVISIONS					
	-	-			
4 CONSUMER DEPOSITS					
	-	-			
5 PROVISIONS					
	-	-			
6 CREDITORS					
Trade creditors	4,610,748	1,947,356			
Accrued interest - external loan	429,891	242,507			
Staff leave	881,730	809,134			
VAT provision	603,982	304,400			
Payments in advance	641,904	818,881			
Sundry loans	70,128	116,647			
Retention payable	103,898	103,898			
Deposits other	3,304	3,304			
Other creditors	152,722	147,944			
	7,498,307	4,494,071			
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS					
7.1 Conditional grants from other spheres of government	5,227,187	5,337,179			
Total conditional grants and receipts	5,227,187	5,337,179			
MIG	3,509,596	1,656,431			
District: Tourism		100,000			
General Grant	58,025	492,300			
MAP	104,280	241,080			
Indigent Support		148,897			
DPLG	236,638	967,333			
LED		500,000			
FMG	1,318,649	735,197			
MSIG		495,941			
	5,227,188	5,337,179			
8 VAT					
VAT refundable	240,970	1,826,983			
VAT is payable on the receipts basis					
9 SHORT TERM LOANS					
	-	-			
10 PROPERTY, PLANT AND EQUIPMENT					
30-Jun-2009					
Reconciliation of carrying value	Land and Buildings	Infra-structure	Other	Housing	Total
Carrying value at 1 July 2008					
Cost	32,022,769	28,936,747	4,792,794		65,752,310
Revaluation					
Accumulated depreciation					
- Cost	(1,881,464)	(9,728,610)	(757,082)	-	(12,367,156)
- Revaluation					
	30,141,305	19,208,137	4,035,712	-	53,385,154
Acquisitions	3,149,426	1,183,901	722,062		5,055,389
Capital under construction	4,358,203	4,762,786			9,120,989
Revaluation: Cost	5,563,446	600,029	(844,303)		5,319,172
Revaluation: Depreciation	(1,241,195)	1,884,833	239,313		882,951
Depreciation					
- based on cost	(856,170)	(1,116,484)	(941,328)	-	(2,913,982)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation			(446,703)		(446,703)
Accumulated depreciation			178,681		178,681

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009				2008
Carrying value at 30 JUNE 2009					
Cost	39,530,398	34,883,434	5,068,153	-	79,481,985
Revaluation	5,563,446	600,020	(665,622)	-	5,319,172
Accumulated depreciation					
- Cost	(2,737,634)	(10,845,094)	(1,698,410)	-	(15,102,457)
- Revaluation	(1,241,195)	1,884,833	239,313	-	882,951
	<u>41,115,015</u>	<u>26,523,202</u>	<u>2,943,434</u>	<u>-</u>	<u>70,581,651</u>
Reconciliation of carrying value	Land and Buildings	Infra-structure	Other	Housing	Total
Carrying value at 1 July 2007					
Cost	16,631,526	27,536,814	4,634,176	-	48,602,516
Revaluation					
Accumulated depreciation					
- Cost	(1,368,985)	(9,562,511)	(2,139,413)	-	(13,070,909)
- Revaluation					
	<u>15,262,541</u>	<u>17,974,303</u>	<u>2,494,763</u>	<u>-</u>	<u>35,731,607</u>
Acquisitions	6,278,751	3,764,742	2,126,491	-	12,169,984
Capital under construction	9,191,364	553,101	-	-	9,744,465
Add Back Water Assets	190,060	4,393,019	549,952	-	5,133,031
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(613,393)	(3,899,464)	(1,135,494)	-	(5,648,351)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation	(268,932)	(7,310,929)	(2,517,825)	-	(10,097,686)
Accumulated depreciation	100,914	3,733,365	2,517,825	-	6,352,104
Carrying value at 30 JUNE 2008					
Cost	32,022,769	28,936,747	4,792,794	-	65,752,310
Revaluation					
Accumulated depreciation					
- Cost	(1,881,464)	(9,728,610)	(757,082)	-	(12,367,156)
- Revaluation					
	<u>30,141,305</u>	<u>19,208,137</u>	<u>4,035,712</u>	<u>-</u>	<u>53,385,154</u>

Refer to Appendix B for more detail on property, plant and equipment

Assets Under Construction:

Electrification	950,859	-
D75 Road	1,209,768	507,501
Mbeka Road	2,032,537	-
D40 Road	290,550	-
P423 Road	279,072	-
Ndudwini Creche	40,623	-
Ntulwa Creche	33,663	-
Thusong Centre (MPCC)	88,664	-
Gujini Creche	264,944	-
Gobizembe Community Hall	1,106,366	115,101
Gqugquma Community Hall	1,685,649	233,543
Nkululeko Community Hall	132,522	878,499
Estezi Community Hall	1,005,772	186,560
Thokozane Community Hall	-	219,808
Thokozane Sportsfield	-	45,600
Efaya Community Hall	-	727,499
Manbedweni Community Hall	-	734,170
Mbava Community Hall	-	747,512
Trust Feed Community Hall	-	889,722
Mpolweni Community Hall	-	231,070
Extension of Municipal Offices	-	4,227,782
	<u>9,120,989</u>	<u>9,744,465</u>

11 INVESTMENT PROPERTY

Valuation

12 INVESTMENTS

Long term

13 LONG TERM RECEIVABLES

Housing loans	428,109	389,468
Less: Short term portion transferred to Sundry Debtors	(107,027)	(97,374)
	<u>321,082</u>	<u>292,114</u>

14 INVENTORY

15 CONSUMER DEBTORS

Balances at 30 June 2009	Gross balance	Provision for doubtful debts	Net balance
Service debtors	1,060,273	812,188	248,085
Rates	12,700,111	-	12,700,111
Housing	969,554	-	969,554
Other	12,416,766	8,371,646	4,045,120
Total	<u>27,146,704</u>	<u>9,183,834</u>	<u>17,962,870</u>
Balances at 30 June 2008			
Service debtors	619,449	507,962	111,487
Rates	6,654,921	-	6,654,921
Housing	791,844	-	791,844
Other	7,623,022	6,428,342	1,194,680
Total	<u>15,689,236</u>	<u>6,936,304</u>	<u>8,752,932</u>

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
Rates: Ageing		
Current (0 - 30 days)	1,311,470	1,348,927
31 - 60 days	884,754	872,369
61 to 90 days	819,806	767,166
91 - 120 days	768,093	457,152
121 days and over	8,915,988	3,211,287
Total	12,700,111	6,654,921
Refuse and other : Ageing		
Current (0 - 30 days)	1,030,040	840,665
31 - 60 days	676,049	335,128
61 to 90 days	670,197	300,846
91 - 120 days	538,209	334,578
121 days and over	11,532,098	7,223,098
Total	14,446,593	9,034,315
	27,146,704	15,689,236

The comparative figure for the rates debtors has been restated to take into account the reduction in rates raised after the adjustments for successful objections.

The doubtful debts provision is based on the ageing of Debtors. Council's policy is to provide for all debts outstanding for 120 days or longer. However the provision for rates is much lower because, of the 8.91million rand over 120 days, government departments are owing 7.907 million rand which is genuinely recoverable.

16 OTHER DEBTORS

District Municipality	220,204	2,812,104
Thokazane housing	1,738,745	1,392,192
Councillors	36,752	144,633
Department of Housing	165,332	165,332
Other	149,226	795,786
Total other debtors	2,310,259	5,310,047
less: Provision for doubtful debts	646,968	646,968
	1,663,291	4,663,079

17 CALL INVESTMENT DEPOSITS

Other deposits	5,163,002	4,283,553
	5,163,002	4,283,553

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

18 BANK,CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025428232

Cash book balance at beginning of year (overdrawn)	(1,783,128)	(908,706)
Cash book balance at end of year		(1,783,128)
Bank statement balance at beginning of year	361,459	726,986
Bank statement balance at end of year	127,910	361,549

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
19 PROPERTY RATES		
Actual		
Agricultural	4,166,891	3,359,040
Residential	2,163,395	2,038,188
Commercial	1,221,123	1,055,168
Public service infrastructure	3,151,130	2,737,775
State	465,240	365,381
Other		1,186
Total assessment rates	<u>11,167,779</u>	<u>9,556,748</u>
Valuations		
Agricultural	1,815,124,000	1,686,709,100
Residential	284,634,000	290,751,000
Commercial	161,170,000	114,892,000
Public service infrastructure	425,861,000	425,861,000
State	44,007,000	49,732,000
Other	13,353,000	18,696,000
Total property valuations	<u>2,724,149,000</u>	<u>2,586,841,100</u>
The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successful objections.		
20 SERVICE CHARGES		
Refuse removal	1,345,547	621,505
Water, sewer and other charges		
	<u>1,345,547</u>	<u>621,505</u>
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	24,779,644	19,353,236
Clinic subsidy	0	3,752
Conditional grants utilised	4,698,156	6,947,216
	<u>29,477,800</u>	<u>26,304,204</u>
Refer Appendix F		
22 OTHER INCOME	<u>355,187</u>	<u>450,576</u>
Fees: Photocopies	11,997	16,672
Fees: Rates Clearance	8,319	16,976
Agency Fee (UMDM)	173,150	178,210
Interest: Current Account	35,946	49,721
Fees	11,950	8,805
Community Hall	11,441	22,197
Motor Licencing	1,882	695
Maintenance	85,315	73,005
Cemetery	15,189	15,368
Postal Service		68,926
	<u>355,189</u>	<u>450,576</u>
23 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	13,381,056	10,852,586
Employee related costs - contributions to UIF, pension and medical costs	2,295,055	1,856,011
Travel, vehicle, accommodation, subsistence and other allowances	920,727	1,002,444
Housing benefits and allowances	34,669	21,925
Overtime payments	428,229	500,412
Performance bonus		
Skills Levy/Protective Clothing/Bargaining Council	231,992	529,662
Sub-total	<u>17,289,728</u>	<u>14,763,040</u>
Less: Employee costs allocated to Property, Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	<u>17,289,728</u>	<u>14,763,040</u>
There were no loans to employees.		
Remuneration of the Municipal Manager		
Annual remuneration	491,411	406,676
Bonus		
Car allowance	120,000	120,000
Contributions to Medical and Pension Funds and UIF	88,589	73,324
	<u>700,000</u>	<u>600,000</u>

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008	
Remuneration of the Chief Financial Officer			
Annual remuneration	500,000	440,000	
Bonus			
Car allowance			
Contributions to Medical and Pension Funds			
	500,000	440,000	
Remuneration of other managers			
30-Jun-2007			
	Corporate Services	Technical Services	Community Services
Annual remuneration	240,000	254,400	350,000
Bonus			
Car allowance	110,000	85,800	
Contributions to Medical and Pension Funds		59,800	
	350,000	400,000	350,000
30-Jun-2009			
Annual remuneration	450,000	279,840	450,000
Bonus			
Car allowance		85,800	
Contributions to Medical and Pension Funds		84,360	
	450,000	450,000	450,000
24 REMUNERATION OF COUNCILLORS			
Mayor		534,681	465,680
Deputy Mayor		238,199	201,510
Speaker		238,199	200,634
Executive committee members		447,870	379,180
Councillors		2,201,108	1,959,547
		3,660,057	3,206,551
In - kind benefits			
The Mayor has use of a Council owned vehicle as well as an office for official duties			
25 INTEREST PAID			
External loans		2,335,911	667,809
Finance leases			
		2,335,911	667,809
26 BULK PURCHASES			
Electricity and water		-	-
27 GRANTS AND SUBSIDIES PAID			
There were no grants and subsidies paid by the municipality.		-	-
28 GENERAL EXPENSES			
There were no Extraordinary and/or unforeseen expenses			
29 CASH GENERATED BY OPERATIONS			
Surplus (deficit) for the year		9,967,220	(15,281,297)
Deficit - Housing operating account		(24,002)	(286,774)
Adjustment for :			
Prior year			5,604,375
Depreciation		2,913,980	5,648,350
Gain on disposal of property, plant and equipment			
Contributions to provisions- non-current			
Contributions to provisions - current			
Contributions to bad debt provision			13,120,395
Investment income		(560,761)	(734,695)
Interest paid		2,335,911	667,809
Operating deficit before working capital changes		14,632,348	8,738,163
(Increase) decrease in consumer debtors		(10,276,180)	(7,309,897)
(Increase) decrease in other debtors		2,999,788	(3,378,075)
(Increase) decrease in VAT debtor		299,582	(1,548,328)
Increase (decrease) in conditional grants and receipts		(109,992)	455,533
Increase (decrease) in creditors		3,004,236	2,547,194
(Increase) decrease in current portion of long term debtors		(9,653)	(13,914)
		10,540,129	(509,324)

The comparative figure for the deficit has been restated to take into account the reduction in rates income after the adjustments for successful objections.

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following amounts:
Bank balances and cash
Bank overdraft

	2009	2008
	2,345	2,345
	224,819	(1,783,128)
	<u>227,164</u>	<u>(1,780,783)</u>

31 RELATED PARTY TRANSACTIONS

31.1 Transport was provided by taxi services owned Councillors S.S. Zondi, R. Mungroo and T.I. Gabela during the Kwanaloga games and certain public meetings.

S.S. Zondi	17,800
T.I. Gabela	7,000
R. Mungroo	600

31.2 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover

	317,310
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31.3 Entertainment during the Kwanaloga Games was provided by Tom Master Skills a company owned by Councillor D.A. Ndlela.

Tom Masterskills	500
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ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32 32.1 Contributions to organised local government

Opening balance		
Council contributions	82,502	82,502
Amount paid - current year	82,502	82,502
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

32.2 Audit fees

Opening balance		
Current year audit fee		
Amount paid current year	737,728	940,289
Amount paid - previous years		
Balance unpaid (included in creditors)		-

32.3 VAT

Opening balance	1,826,984	1,111,459
Current year output VAT	(1,881,689)	(568,036)
Current year input VAT	3,309,896	1,907,265
Amount paid - current year		
Amount refunded by SARS - current	(3,034,218)	(623,704)
Amount due by SARS - included in debtors	<u>240,973</u>	<u>1,826,984</u>

All VAT returns have been submitted by the due date.

32.4 PAYE and UIF

Opening balance		
Current year payroll deductions and Council UIF contributions	2,177,842	1,679,623
Amount paid - current year	2,177,842	1,679,623
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

32.5 Pension and medical aid deductions

Opening balance		
Current year payroll deductions and Council contributions	3,260,237	2,724,528
Amount paid - current year	3,260,237	2,724,528
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009	2008
32.6 Councilors arrear consumer accounts			
No Councilors had arrear accounts outstanding for more than 90 days as at :			
30 June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
		-	-
30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
		-	-
32.7 General Expenses: Detail			
Advertisements		160,539.28	260,249
Audit Fee: External		737,727.72	940,289
Bank Charges		48,658.55	51,540
Chemicals and Oil Dispersants		269.08	-
Communication: Budget Process		621,959.56	528,374
Conditional Grant Expenditure		-	642,678
Conferences & Seminars		65,744.61	78,037
Consulting Fees		474,680.29	-
Entertainment		38,338.06	22,200
Environmental Management Plan		-	17,789
FBS & FBE		566,302.04	469,890
Fuel and Lubricants		11,911.13	-
HIV/AIDS		638,161.82	46,801
Hospitality		50,586.59	54,061
Housing Plan		124,239.64	55,704
IDP Review		201,971.64	119,384
Information Technology		521,513.07	-
Institutional Plan		-	55,492
Insurance		187,081.58	278,169
Internal Audit		152,100.00	-
Land Use Management Systems		-	34,693
Law Enforcement		42,011.73	20,747
Leave Provision		-	670,746
LED Projects		1,226,229.54	2,924,780
Legal Expenses/Bylaws		352,126.67	566,307
Levy: Research		9,940.43	4,861
Licences		171.00	7,330
Lost Books		130.53	-
Machinery Costs		18,001.55	-
Materials		175,911.36	59,682
Medical Supplies		22,403.37	24,343
Office Equipment		2,931.79	-
Pauper Burials		58,876.91	45,451
Plant Hire		35,673.43	9,247
PMS Review		105,870.82	-
Postage & Stamps		56,766.69	124,404
Printing and Stationery		343,778	427,614
Project Hand Overs		28,387	-
Purchases: Electricity		487,935	305,261
Purchases: Water		1,858	1,573
Refreshments		77,967	113,048
Refuse Removal		583,578	-
Rental: Copiers		405,268	385,703
Road Signs		15,789	2,859
Sector Plans		-	8,838
Security		1,432,673	-
Small Scale Disasters		19,496	17,291
Social Empowerment		123,922	206,320
Spatial Development Framework		-	16,642
Special Projects		1,033,707	285,023
Sports Promotion		294,962	390,577
Subscriptions		116,041	131,047
Subsistence and Travelling		1,306,553	1,244,497
Sundries		15,679	73,752
Telephones		1,059,530	1,294,747
Tools		3,081	-
Town Planning		101,313	90,316
Training		387,241	330,945
Transport/Vehicle Cost		1,220,319	1,048,971
Valuation Fees		489,153	375,402
Ward Committees		250,554	-
Water Quality Monitoring		-	9,451
Workmans Compensation		10,645	20,403
Youth Desk		52,420	305,138
		16,570,670	15,178,663

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
33 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	4,261,073	2,496,899
Land and buildings		472,218
Refuse disposal site		
Taxi rank		
Community	725,712	7,994,894
Vehicles and equipment		
- approved but not yet contracted for		
Infrastructure	10,400,000	28,227,331
Land and buildings		
Taxi rank		
Refuse disposal site		
Community	5,981,336	9,870,000
Vehicles and equipment		1,681,000
	<u>21,368,121</u>	<u>50,742,341</u>
This expenditure will be financed from		
- capital replacement reserve	1,695,712	3,301,000
- government grants	4,261,073	20,319,830
- external loans	15,411,336	27,121,511
-	<u>21,368,121</u>	<u>50,742,341</u>

34 RETIREMENT BENEFIT INFORMATION

Certain Councilors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councilors' Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

Current Year's Contribution	3,260,237	2,724,528
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34.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 34.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 34.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
- 34.1.3. the fund was thus 104,3% funded
- 34.1.4. the fund did not hold an investment reserve.
- 34.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 34.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

34.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 34.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- 34.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 34.2.3. the fund was thus 87,7% funded
- 34.2.4. the fund did not hold an investment reserve
- 34.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

35 CONTINGENT LIABILITIES

There are no contingent liabilities

36 FRUITLESS and WASTEFL. EXPENDITURE

- -

37 IRREGULAR EXPENDITURE

- -

The due SCM process was not followed in the appointment of the IT consultant. The consultant was initially appointed to assist in an emergency and his appointment to provide IT services on an on-going basis was motivated by the former chief financial officer.

498,415	-
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Three quotations were not obtained for the following expenditure:

Transport: Hlongwane Taxis	3,900	-
Training: Endless Horizon	2,734	-
Accommodation: Protea Hotels	2,730	-
Entertainment: Mayibuye Ma Africa	2,000	-
Transport: S.S. Zondi	8,500	-
Entertainment: Faith Shares Music Reunion	5,000	-
Catering: Albert Falls Guest Lodge	5,106	-
	<u>29,970</u>	-
Total	<u>528,385</u>	-

APPENDIX A
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2008/06/30	Received during the year	Redeemed or written off during the year	Balance at 2009/06/30	Carrying value of property plant & equip.
				R	R	R	R	R
ANNUITY LOAN								
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31	5,631,505	0	295,571	5,335,934	
DEVELOPMENT BANK		9,4 %		11,795,052	8,204,948	1,301,011	18,698,989	
TOTAL EXTERNAL LOANS				17,426,557	8,204,948	1,596,582	24,034,923	0

APPENDIX B
uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Opening Balance	Revaluation Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Revaluation Additions	Accumulated Depreciation Revaluation	Disposals	Closing Balance	Carrying Value	Budget Additions 2009
Land and Buildings												
Land	9,339,459	2,634,627	300,000		12,274,086	0	0	825,953		825,953	11,448,133	0
Buildings	22,762,182	2,928,819	2,849,426	4,358,203	32,898,630	1,960,336	0	415,242	856,170	3,231,748	29,666,882	20,624,331
Dams and boreholes	0	0	0	0	0	0	0	0	0	0	0	0
	32,101,641	5,563,446	3,149,426	4,358,203	45,172,716	1,960,336	0	1,241,195	856,170	4,057,701	41,115,015	20,624,331
Infrastructure												
Water reticulation	5,900	0	0	0	5,900	3,091	0	-3,091		0	5,900	0
Sewer reticulation	0	0	0	0	0	0	0	0		0	0	0
Construction works	31,848,757	600,029	1,183,901	4,762,786	38,395,473	12,643,429	-1,881,742	1,116,484		11,878,171	26,517,302	15,173,000
	31,854,657	600,029	1,183,901	4,762,786	38,401,373	12,646,520	-1,884,833	1,116,484	0	11,878,171	26,523,202	15,173,000
Other Assets												
Office and computer equipment	1,572,692	-844,303	50,264		778,653	739,463		-573,493	414,690	580,660	197,993	0
Furniture and fittings	1,300,017	38,464	38,464		1,338,481	498,317				498,317	840,164	51,000
Tools	71,889				71,889	64,968				64,968	6,921	0
Motor vehicles and major equipment	3,199,626	543,300	543,300	446,703	3,296,223	1,079,011		334,180	526,638	1,761,148	1,535,075	0
Machinery	339,505	90,034	90,034		429,539	229,276				229,276	200,263	930,000
Air conditioners	138,920				138,920	76,198				76,198	62,722	0
Other	138,018				138,018	37,722				37,722	100,296	3,000,000
	6,760,667	-844,303	722,062	0	6,191,723	2,724,955	-239,313	941,328	178,681	3,248,289	2,943,434	3,981,000
Total	70,716,965	5,319,172	5,055,389	9,120,989	89,765,812	17,331,811	-882,951	2,913,982	178,681	19,362,842	70,581,651	39,778,331

APPENDIX C

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

	Opening Balance	Revaluation	Cost/ Revaluation Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Revaluation	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value
Executive and Council	12,811,553		1,112,742		446,703	13,477,592	1,388,451			178,681	1,209,770	12,267,822
Finance and Admin	19,269,751	-844,303	54,508			18,479,956	3,306,914	-239,313	941,328		4,008,929	14,471,027
Health	72,820					72,820	72,819				72,819	1
Community & Social Services	856,703	5,563,446	2,559,703	5,309,063		14,288,915	309,442	1,241,195	856,170		2,406,807	11,882,108
Public Safety	852,806					852,806	455,777				455,777	397,029
Waste Management	675,729					675,729	82,806				82,806	592,923
Road Transport	35,180,390	600,029	1,183,901	3,811,926		40,776,246	10,870,949	-1,884,833	1,116,484		10,102,600	30,673,646
Water	0					0	0				0	0
Other	997,213		144,535			1,141,748	844,653				844,653	297,095
	<u>70,716,965</u>	<u>5,319,172</u>	<u>5,055,389</u>	<u>9,120,989</u>	<u>446,703</u>	<u>89,765,812</u>	<u>17,331,811</u>	<u>-882,951</u>	<u>2,913,982</u>	<u>0</u>	<u>19,184,161</u>	<u>70,581,651</u>

APPENDIX D

**UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009**

<u>2008</u>	<u>2008</u>	<u>2008</u>		<u>2009</u>	<u>2009</u>	<u>2009</u>
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
31,141,447	39,958,049	(8,816,602)	Executive and Council	46,422,505	32,291,782	14,130,723
223,264	5,632,427	(5,409,163)	Finance and Admin	45,552	10,272,451	(10,226,899)
-	-	-	Planning and Development			-
3,752	557,490	(553,738)	Health		275,634	(275,634)
38,564	654,729	(616,165)	Community & Social Services	27,309	167,556	(140,247)
-	-	-	Housing			-
487,688	1,307,088	(819,400)	Public Safety	185,505	427,305	(241,800)
-	-	-	Sport and Recreation			-
-	-	-	Environmental Protection			-
804,267	1,572,243	(767,976)	Waste Management	1,345,547	597,944	747,603
7,639,058	8,295,585	(656,527)	Road Transport	8,097,906	1,991,600	6,106,306
2,509,477	209,772	2,299,705	Water			-
178,210	119,641	58,569	Other	1,587,816	1,720,648	(132,832)
0	0	-				
43,025,727	58,307,024	(15,281,297)	Sub - total	57,712,140	47,744,920	9,967,220
			Less : Inter departmental charges			
43,025,727	58,307,024	(15,281,297)		57,712,140	47,744,920	9,967,220

uMSH WATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009
APPENDIX E (1)

REVENUE	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanation of significant variances
Property rates	11,167,779	11,979,663	(811,884)		
Property rates - penalties imposed and collection charges	864,349	300,000	564,349	188	(7) This was mainly due to the fact that the devaluation of certain properties was higher than expected
Service charges	1,345,547	1,000,000	345,547	35	Due to the increase in rates, penalties on rates increased and the originally under budgeted.
Rental of facilities and equipment	141,953	300,000	(158,047)	(53)	Income on refuse collection was under budgeted.
Interest earned - external investments	560,761	750,000	(189,239)	(25)	All properties were not rented out and the income from rentals was overbudgeted
Interest earned - outstanding debtors	3,968,501	1,750,000	2,218,501	127	This was due to the fluctuations in the interest rates.
Fines	186,183	751,000	(564,817)	(75)	The large increase is due to the increase in debtors.
Licences and permits			0		This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Income for agency services	1,614,029	2,375,000	(760,971)	(32)	The loss of income is due to not opening the proposed Driver Testing section of the department
Government grants and subsidies	29,477,800	26,938,000	2,539,800	9	On application the equitable share of the municipality was increased.
Other income	355,187	1,260,000.00	(904,813)	72	
Public contributions, donated and contributed property, plant and equipment	8,030,051				
Gain on disposal of property, plant and equipment					
Total Revenue	57,712,140	47,403,663	2,278,426	5	
EXPENDITURE					
Employee related costs	17,289,728	18,321,088	(1,031,360)	(6)	All budgeted posts were not filled.
Remuneration of Councilors	3,660,057	4,125,000	(464,943)	(11)	The approved increase was lower than budgeted for.
Bad debts			-	-	
Collection costs	324,874	0	-	-	
Depreciation	2,913,980	1,250,000	1,663,980	133	The figure was grossley underbudgeted.
Repairs and maintenance	1,564,619	2,370,000	(805,381)	(34)	
Interest paid	2,335,911	2,500,000	(164,089)	(7)	The full amount of the loan was accessed for the whole year.
Bulk purchases			-	-	
Contracted services	1,244,547	850,000	394,547	46	Certain consultant's work needed to be extended, and the internal audit function was outsourced
Grants and subsidies paid			-	-	
General expenses	16,570,670	17,937,500	(1,366,830)	(8)	Certain expenditure that was budgeted for were not incurred.
Loss on disposal of property, plant and equipment	97,022				
Contribution to Reserves	139,706	50,000	89,706	179	Leave Reserve needed to be increased more than expected.
Feasibility Study	1,603,807	1,500,000	103,807	7	
Total Expenditure	47,744,920	48,903,588	(1,580,563)	(3)	
Surplus (Deficit) for the year	9,967,220	(1,499,925)	3,858,989		

APPENDIX E (2)

UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Infrastructure							
Construction works	1,183,901	4,762,786	5,946,687	15,173,000	(9,226,313)		(61) The bulk of the capital project were not implemented because they were to be funded out of external loans and the loan was not approved. Further there was a delay in starting one of the MIG projects due to the delays caused by the contractor
Community Assets	1,183,901	4,762,786	5,946,687	15,173,000	(9,226,313)		(61)
Land	300,000	0	300,000	0	300,000		(65)
Buildings	2,849,426	4,358,203	7,207,629	20,624,331	(13,416,702)		(64)
Other Assets	3,149,426	4,358,203	7,507,629	20,624,331	(13,116,702)		
Office and accounting machines	50,264		50,264		50,264		
Furniture and fittings	38,464		38,464	51,000	(12,536)		(25)
Radios			0		-		Explanation as above.
Machinery	90,034		90,034	930,000	(839,966)		
Tools			0		-		
Air conditioners			0		-		
Vehicles	543,300		543,300		543,300		The purchase of a new mayoral vehicle was approved by Council.
Other				3,000,000			
	722,062	0	722,062	3,981,000	(3,258,938)		(82)
Total	5,055,389	9,120,989	14,176,378	39,778,331	(25,601,953)		(64)

APPENDIX F										
UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003										
Description	Name of organ of State	Unspent balance at 1 July 2008	Received 2008/2009	Expenditure 2008/2009	Transfer 2008/2009	Unspent balance at 30 June 2009	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions	Reason for non-compliance
		R	R	R	R	R	R		YES/NO	
MIG		1,656,431	9,893,217	(9,030,052)		3,509,596			YES	
GRANTS - GENERAL		58,025				58,025			YES	
CMIP ROADS		0				0			YES	
CMIP - CEMETERY		125,933		(125,933)		0			YES	
CMIP - OFFICES		0				0			YES	
BASIC SERVICES		51,117		(51,117)		0			YES	
TRANSITIONAL GRANT		173,754		(173,754)		0			YES	
CMIP - OFFICES		0				0			YES	
MSIG		359,834		(359,834)		0			YES	
DISTRICT COUNCIL		0				0			YES	
INDIGENT SUPPORT		148,897		(148,897)		0			YES	
MAP		241,080		(136,800)		104,280			YES	
CCI		4,718		(4,718)		0			YES	
TOURISM		100,000		(100,000)		0			YES	
FMG		403,709		(403,709)		0			YES	
MSIG		135,107	735,000	(871,107)		0			YES	
HOUSING PLAN		4,811		(4,811)		0			YES	
DPLG		584,985		(358,347)		236,638			YES	
PROPERTY RATES		222,630		(222,630)		0			YES	
MFMA		145,000		(145,000)		0			YES	
INTER DEPARTMENTAL		0				0			YES	
GDW		59,166		(59,166)		0			YES	
PLANNING		0				0			YES	
REGIONAL COUNCIL - CRECHE		4,063		(4,063)		0			YES	
REGIONAL COUNCIL - CEMETERY		990		(990)		0			YES	
REGIONAL COUNCIL - TAXI RANK		14,441		(14,441)		0			YES	
LED		500,000		(500,000)		0			YES	
FINANCE MANAGEMENT		331,488	2,000,000	(1,012,839)		1,318,649			YES	
COMMUNITY PARTICIPATION		0				0			YES	
		5,337,179	12,618,247	(12,728,208)	0	5,227,188				

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL
LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF UMSHWATHI MUNICIPALITY FOR THE YEAR
ENDED 30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uMshwathi Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 55 to 74.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1: *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in

accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the uMshwathi Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of uMshwathi Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matter:

Irregular expenditure

9. As disclosed in note 37 to the financial statements, irregular expenditure to the amount of R528 385 was incurred as the supply chain management process had not been followed.

Other matters

Without qualifying my opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

10. The municipality provided supplementary information in appendices E1 and E2 to the financial statements on whether resources were obtained and used in accordance with the legally adopted budget as per GRAP 1: *Presentation of Financial Statements*. The supplementary budget information and other supplementary information set out on pages 75 to 81 do not form part of the financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements relate to the responsibilities and practices of the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

12. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input type="checkbox"/>	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines, as set out in section 126 of the MFMA.	<input type="checkbox"/>	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	<input type="checkbox"/>	
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	<input type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input type="checkbox"/>	

No.	Matter	Y	N
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input type="checkbox"/>	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan is documented and used, as set out in section 62(1)(c)(i) of the MFMA.	<input type="checkbox"/>	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA/Oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input type="checkbox"/>	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the uMshwathi Municipality against its mandate, predetermined objectives, outputs, indicators and targets, as set out in section 68 of the MFMA.	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

13. A clear trail of documents, coupled by the availability of officials, was evident throughout the auditing process. However, due to a number of correcting journals and disclosure amendments that arose from the audit, the financial statements were not of a desired quality. This indicates weaknesses in leadership, supervision and monitoring.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

14. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

15. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the

municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

16. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
17. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
18. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review finding reported below.

Findings on performance information

Content of integrated development plan

19. The integrated development plan of the uMshwathi Municipality did not include the performance targets set in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

APPRECIATION

20. The assistance rendered by the staff of the uMshwathi Municipality during the audit is sincerely appreciated.

AUDITOR-GENERAL

Pietermaritzburg

30 November 2009



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UMSHWATHI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Umshwathi Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 14.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 92 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the Msunduzi Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality has not prepared the financial statements on a basis of accounting determined by the National Treasury.

Basis for a qualified opinion

Provisions

10. A recalculation of the provision for bad debts on debtors outstanding for more than 90 days (per the summarised age-analysis) was compared to the bad debt provision. This comparison indicated that the bad debt provision was understated by R7,5 million.

Other

11. A material casting error amounting to R2 million exists in the prior year's Distributable reserves total.

Property, plant and equipment

12. A material difference of R898 000 exists between the fixed asset register and the financial statements. Furthermore, the accounting policy for property, plant and equipment does not state the depreciation rate and the useful life of each asset used to calculate depreciation.

Receivables

13. Unsupported balances of R404 000 and (R419 000) were included in debtors. Explanations for these balances could not be provided and consequently, I was unable to establish their reasonability.

Qualified opinion

14. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of Umshwathi Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the following matters:

Basis of accounting (departures and deviations)

15. From a review of the financial statements and accounting policy 1 - Basis of preparation, it was noted that the municipality has only partly adopted Standards of GAMAP. In terms of General Notice 552 of 2007 issued by the Minister of Finance, there is no provision for the partial adoption of the standards, other than the exemptions permitted by the aforementioned notice. Evidence of correspondence from the Department of Finance permitting partial adoption was requested, but was not produced for audit purposes.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

16. Municipal Finance Management Act

The budget was not tabled at least 90 days before the start of the financial year, as required by section 16(2) of the MFMA.

The municipality did not perform an asset count in the year under audit. In this regard, attention is invited to section 63(2)(c) of the MFMA, which states that the accounting officer must take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities.

No evidence exists that the accounting officer within 30 days after the end of each quarter submitted a copy of the consolidated report of withdrawals reported to council to the Auditor-General and provincial treasury, as required by section 11(4) of the MFMA.

17. Basic Conditions of Employment Act

It was noted that employees had worked excessive overtime which, in some instances, were above 30% of their basic income. This was in contravention of section 10 of the Basic Conditions of Employment Act.

Matters of governance

18. No disclosure has been made in the financial statements for related party transactions incurred with councillors during the year.

Material corrections made to the financial statements submitted for audit

19. The financial statements, approved by the accounting officer and submitted for audit on 30 August 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- Differences between the general ledger, trial balance and financial statements affecting the appropriation account, amounting to R7,7 million and R305 000, were corrected.
- A difference between the trial balance and financial statements affecting the cash and cash equivalents, amounting to R1,3 million was corrected.
- Interest income of R323 000 was reclassified as other income.
- Investments of R7,6 million was reclassified as current assets, and a difference between the trial balance and financial statements affecting the investments, amounting to R8 million was corrected.
- A transaction amounting to R3 million between the asset financing fund and the NDR reflected in the financial statements but not effected in the general ledger, was corrected.
- The asset financing fund was adjusted by R4,4 million from R11,2 million in order for the fund to be covered by investments.
- Creditors were adjusted by R698 000 due to credit balances being included in the debtors listing, and a difference between the trial balance and financial statements.
- Unexplained adjustments amounting to R5,3 million were made to debtors.

Value-for-money matters

20. Supply chain management regulations

Cases exist where the services of suppliers were procured without complying with the SCM policy and with regulation 35 of the SCM regulations.

Internal control

21. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five

components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for qualified opinion					
Provisions			X		X
Other			X		X
Property, plant and equipment			X		X
Receivables			X		X
Emphasis of matter					
Basis of accounting (departures and deviations)					X
Other matters					
Non-compliance with applicable laws and regulations	X				
Matters of governance			X		X
Material corrections to the financial statements	X		X		X
Value for money matters			X		X

Unaudited supplementary schedules

22. The supplementary information set out on pages 15 to 21 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

23. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

24. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

25. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

26. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
27. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Process to guide planning, drafting, adoption and review of integrated development plan (IDP)

28. It was established that although ward committee meetings are held in order to consult with communities prior to drafting the IDP, no minutes are kept as evidence that these meetings in fact took place.

Setting of key performance indicators

29. It was established that although the municipality has entered into contracts with service providers, no service level agreements have been entered into informing the service providers of the key performance indicators expected. Attention is invited to regulation 9(2) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Establishment of a performance management system

30. It was established that although the municipality has a performance management system, this is limited to section 57 employees only. In this regard, your attention is invited to sections 38 and 39 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and regulation 7(1) prescribing the requirements of a performance management system.

Monitoring, measurement and review of performance

31. It was established that as a result of capacity constraints, the monitoring, measurement and review of performance, as required by regulation 13 of the Local Government: Municipal Planning and Performance Management Regulations, 2001, was not done.

APPRECIATION

32. The assistance rendered by the staff of the Umshwathi Municipality during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg

14 December 2007



A U D I T O R - G E N E R A L